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NEEDS & ECOLOGY & HEART
とことん宣言

Financial Results for FY2010-3Q

 **OSG CORPORATION**

September, 2010
OSG CORPORATION

OSG at glance

1. Products

- Consumable cutting tools used in machine tools
- World top market share (30%) 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



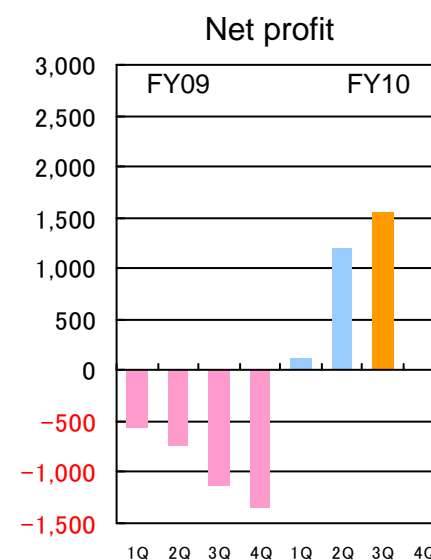
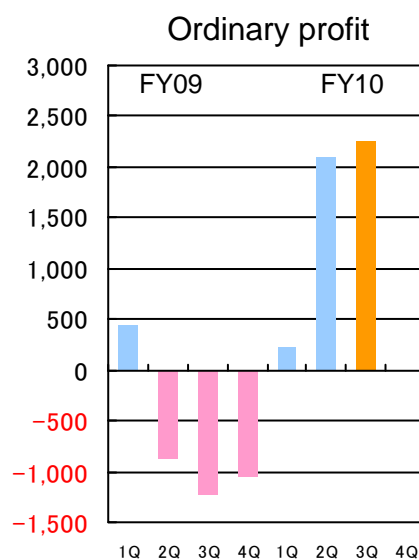
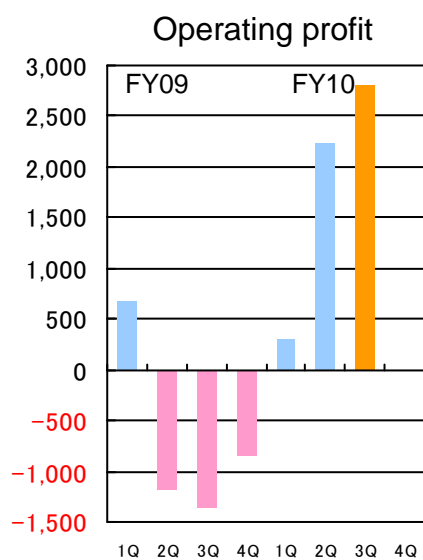
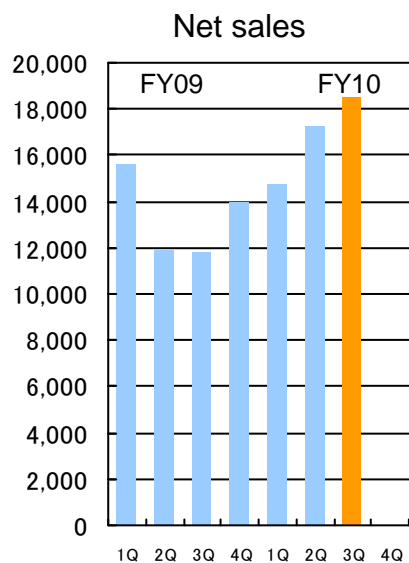
Note regarding forecast

This material includes forward-looking statements based on information available at the time of release. The forecasts and other forward-looking statements are not guarantees of future performance. Actual financial results may differ from the above forecasts due to known and unknown risks, uncertainties, and other factors.

Financial summary for FY2010-3Q

(Millions of yen)

	2009/3Q	2010/3Q	Change		2010 Forecast
Net sales	39,326	50,470	11,144	+28.3%	68,500
Operating profit	-1,877	5,325	7,202	-	7,000
OPM	-	10.6%	-	-	10.2%
Ordinary profit	-1,663	4,581	6,244	-	6,200
Net profit	-2,425	2,868	5,293	-	3,800
EPS(yen)	-25.23	29.85	55.08	-	39.55
Operating CF	3,989	9,915	5,926	+148.6%	-
Operating CF margin	10.1%	19.6%	-	+9.5%	-



Review

- Increase in both sales and profit (qoq)
 - Improvement in gross profit margin 2Q 36.8% → 3Q 39.3%
 - Improvement in operating profit margin 2Q 12.9% → 3Q 15.1%
- Stable financial condition
 - Decrease in debt 12.0 billion yen
 - Increase in net cash 5.6 billion yen
 - Equity ratio 54.4% (49.3% as of 09/11E)
- Improvement in EBITDA
 - EBITDA margin 22.3%(5.8% for FY09)
- Review by region
 - Asia: Sales reached the highest ever, mainly resulting from order boom in China.
 - The Americas: Bullish order in North America and production recovery in South America contributed to profit recovery.
- Annual forecast
 - Forecast revision:
 - Net sales 66.0 → 68.5 billion yen
 - Operating profit 6.0 → 7.0 billion yen
 - Forecast revision was made mainly in Asia and Japan

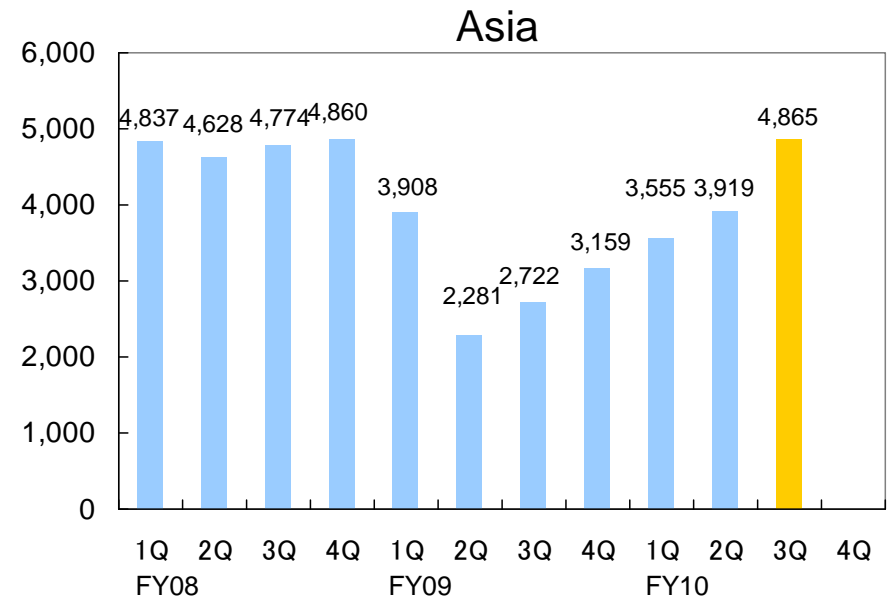
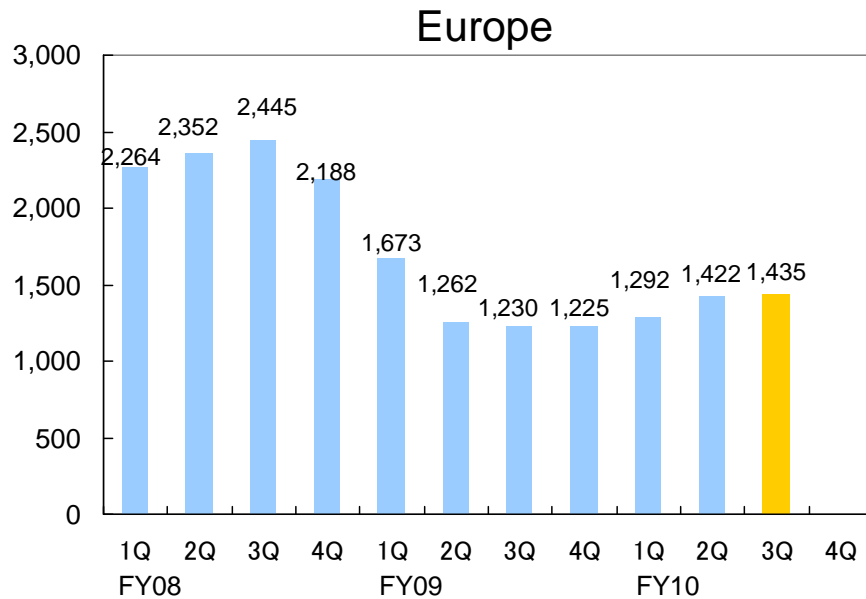
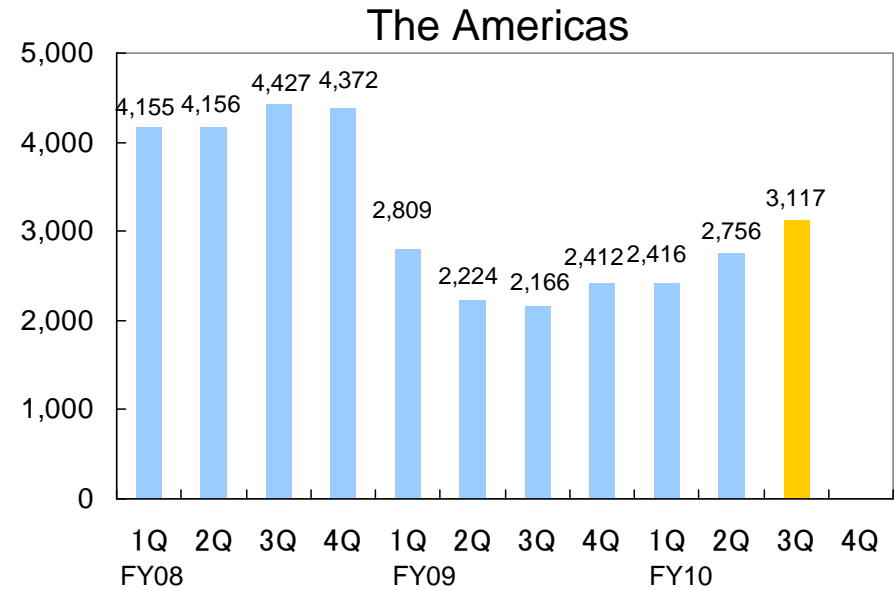
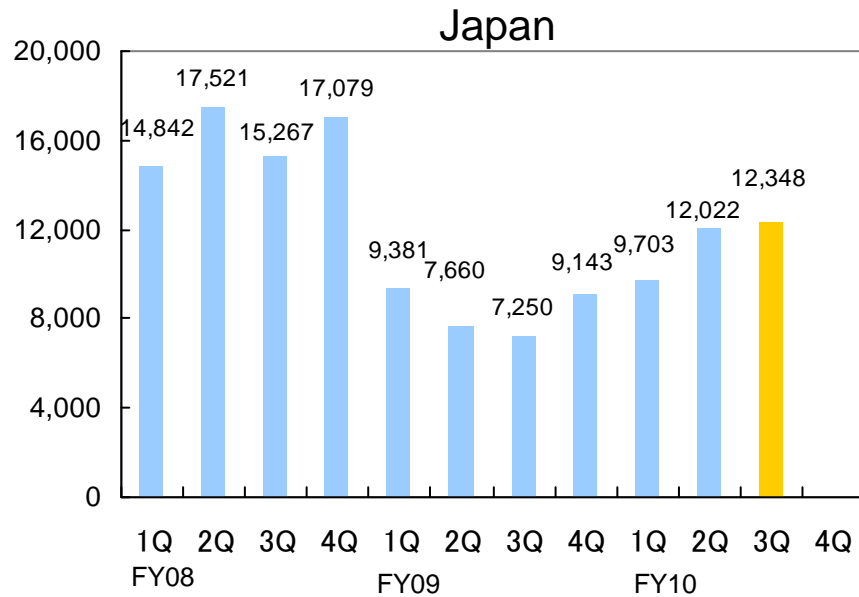
Operations by geographical segment

(Millions of yen)

		2009/3Q	2010/3Q	Change		Change in local currency
Japan	Net Sales	24,291	34,073	9,782	+40.3%	-
	O.P	-3,414	1,765	5,179	-	-
	O.P.M	-	5.2%			
The Americas	Net Sales	7,199	8,289	1,090	+15.1%	+16.8%
	O.P	286	676	390	+136.4%	+150.6%
	O.P.M	4.0%	8.2%			
Europe	Net Sales	4,165	4,149	-16	-0.4%	+2.6%
	O.P	85	419	334	+392.9%	+408.8%
	O.P.M	2.0%	10.1%			
Asia	Net Sales	8,911	12,339	3,428	+38.5%	+38.5%
	O.P	915	2,389	1,474	+161.1%	+159.7%
	O.P.M	10.3%	19.4%			
Total	Net Sales	44,566	58,852	14,286		
	O.P	-2,127	5,251	7,378		
Eliminations	Net Sales	-5,240	-8,382	-3,142		
	O.P	250	73	-177		
Consolidated	Net Sales	39,326	50,470	11,144	+28.3%	-
	O.P	-1,877	5,325	7,202	-	-
	O.P.M	-	10.6%			

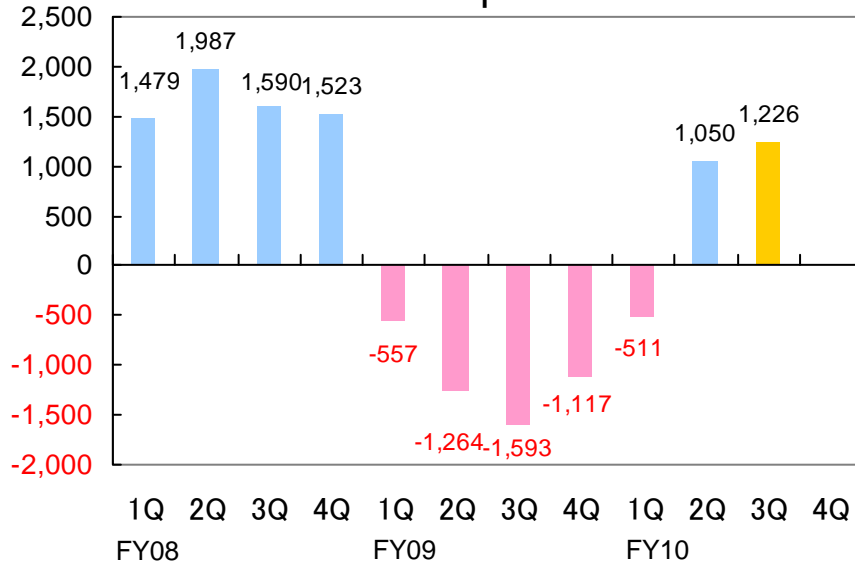
Net sales by geographical segment

(Millions of yen)

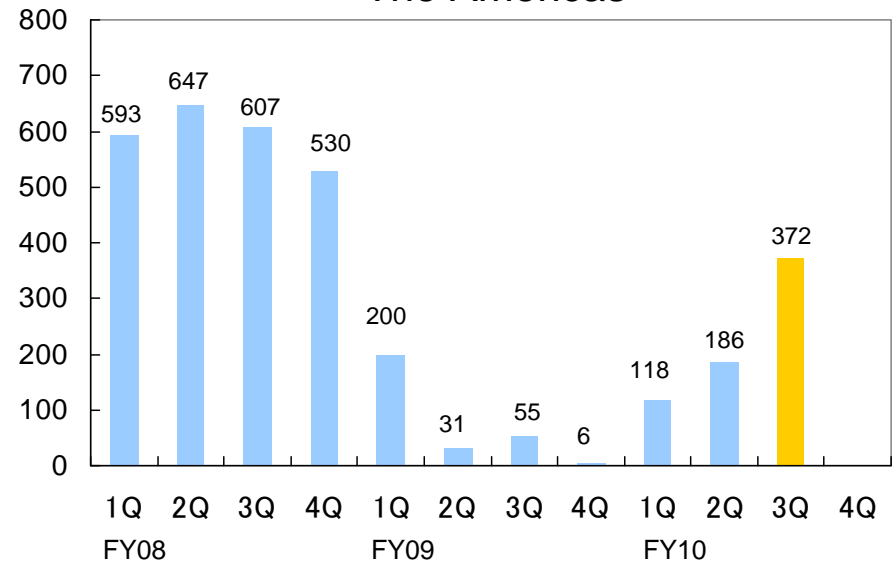


Operating profit by geographical segment

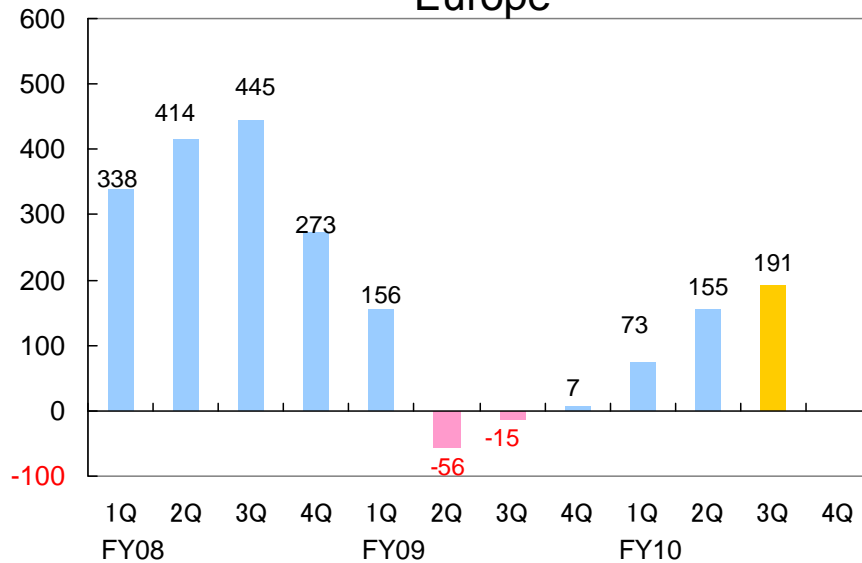
Japan



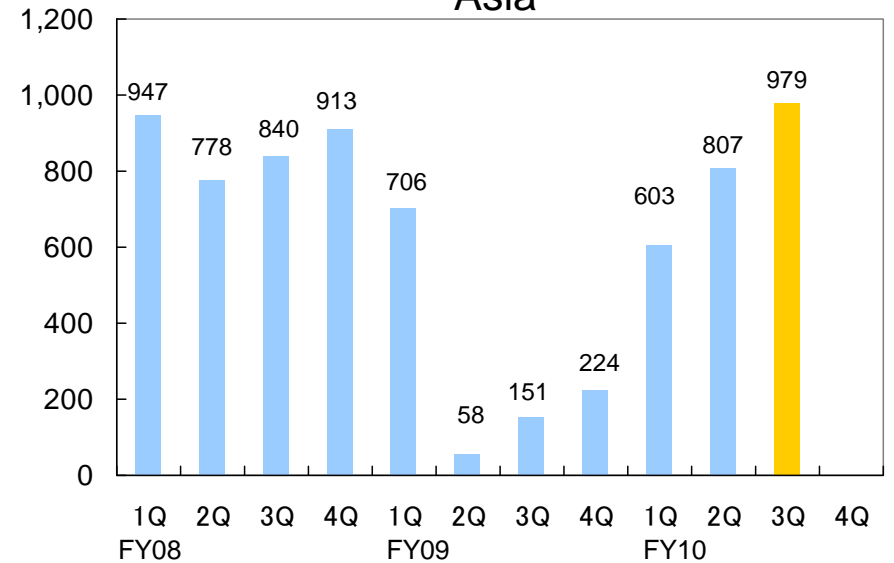
The Americas



Europe

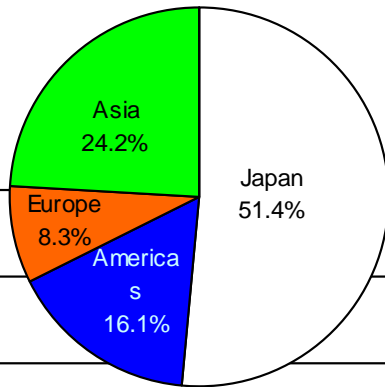


Asia

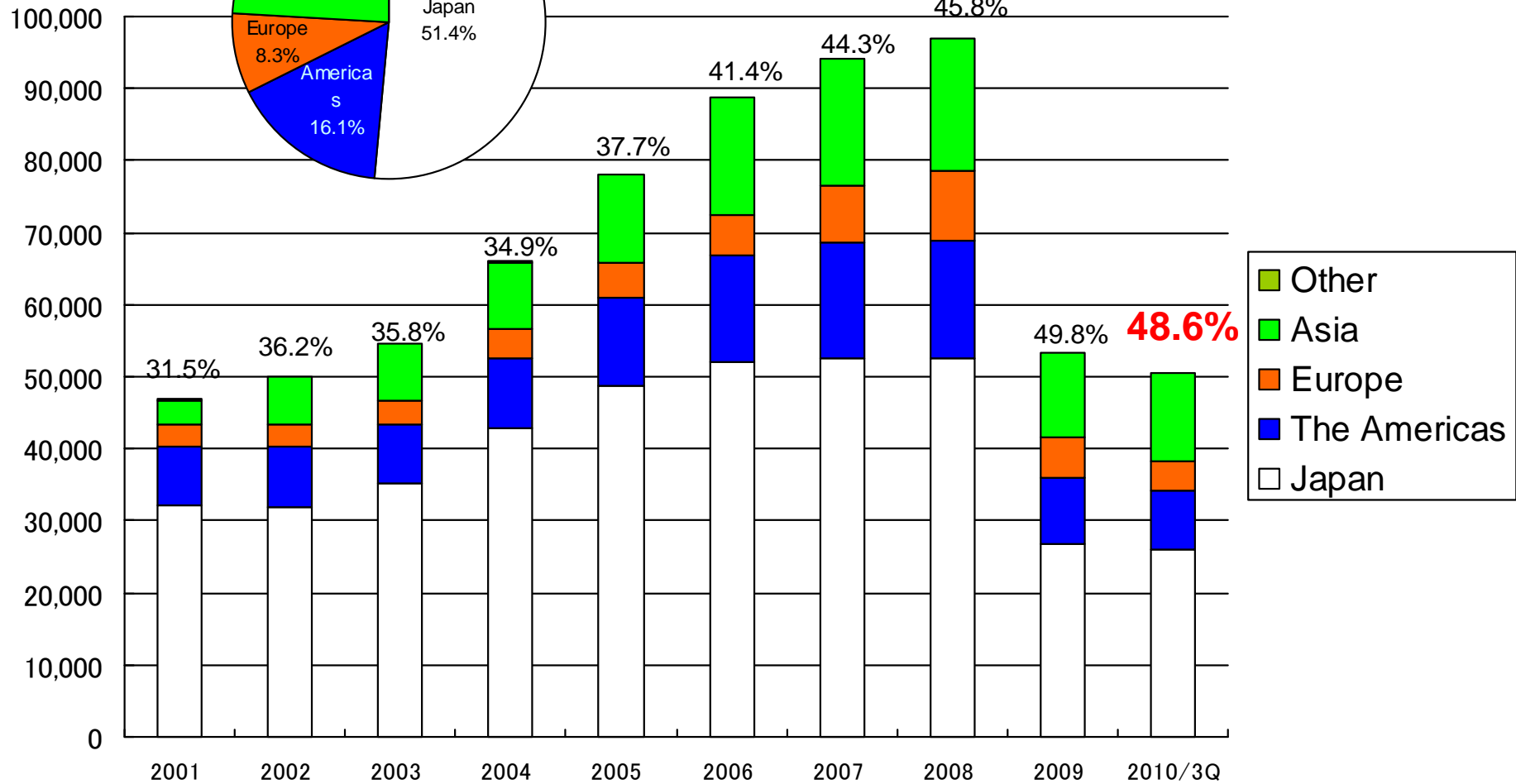


Overseas sales ratio

2010/3Q



(Millions of yen)



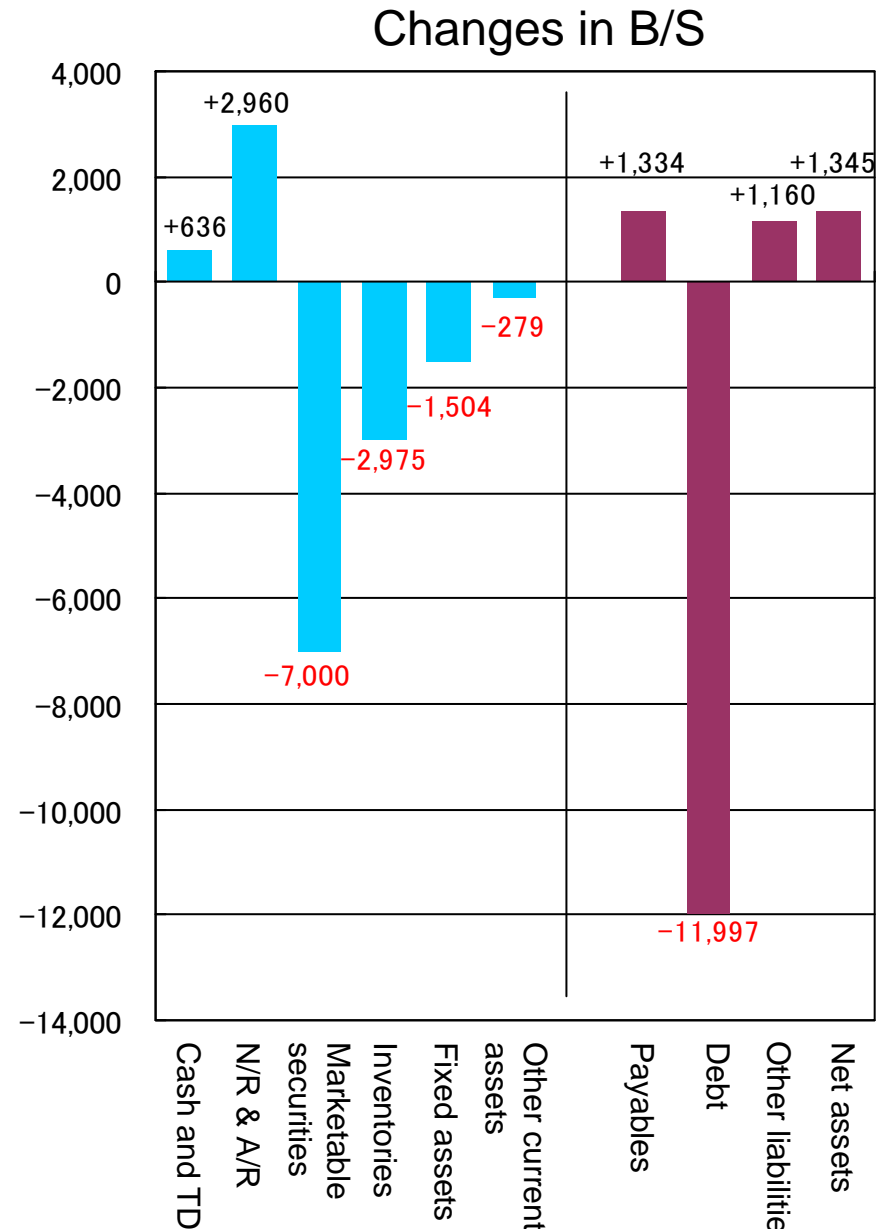
B/S overview

(Millions of yen)

	09/11E	10/8E	Change
Cash & TD	13,995	14,631	636
N/R & A/R	11,543	14,503	2,960
Marketable securities	9,000	2,000	-7,000
Inventories	20,573	17,598	-2,975
Other current assets	2,734	2,455	-279
Fixed assets	55,536	54,032	-1,504
Total assets	113,382	105,220	-8,162
Total current liabilities	27,628	21,352	-6,276
Total long-term liabilities	24,018	20,788	-3,230
Total net assets	61,734	63,079	1,345
Total liabilities and net assets	113,382	105,220	-8,162

Equity ratio	49.3%	54.4%	
Receivable turnover period	79	79	days
Inventory turnover period	4.7	3.2	months

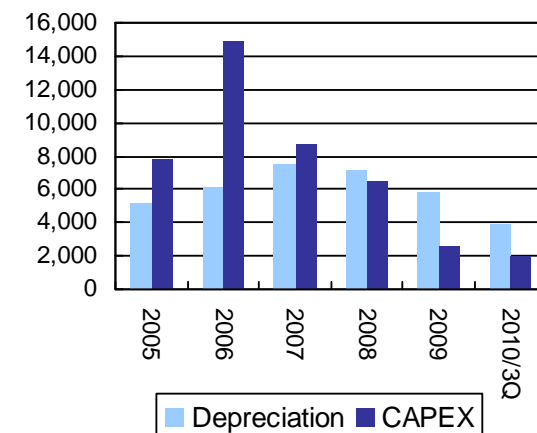
Cash and TD	22,995	16,631	-6,364
Debt	41,230	29,233	-11,997
Net Cash	-18,235	-12,602	5,633



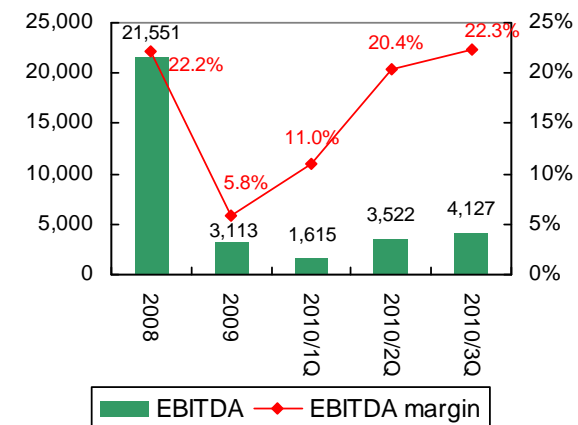
Cash flow overview

	FY07	FY08	FY09	09/3Q	10/3Q	Change
Income before taxes	14,344	10,204	-3,926	-1,918	4,530	6,448
Depreciation	7,444	7,135	5,848	4,339	3,939	-400
Loss (gain) on sales of securities	-58	1,796	-0	-0	-2	-2
Loss on valuation of securities	0	1,386	11	11	0	-11
Liability for employees' retirement benefits	-227	-92	-23	-1	49	50
Change in A/R	-1,360	-702	6,003	7,376	-3,527	-10,903
Change in inventories	-824	-1,497	888	-1,401	2,526	3,927
Change in A/P	-148	1,022	-2,775	-2,895	1,634	4,529
Other-net	2,128	239	-1,678	-3,417	1,175	4,592
Income taxes paid	-4,566	-8,838	-2,135	-1,852	-875	977
Income taxes refunded	-	-	3,836	3,747	466	-3,281
Operating cash flow	16,733	10,653	6,049	3,989	9,915	5,926
Capital expenditures	-8,783	-6,455	-2,547	-2,056	-2,041	15
Purchase of subsidiaries' stock	-549	-990	-146	-120	-81	39
Purchase of securities	-73	-3,034	-8	-7	-9	-2
Sales of securities	57	13,888	0	0	23	23
Other-net	329	-1,731	-1,932	-1,086	-936	150
Investing cash flow	-9,019	1,678	-4,633	-3,269	-3,044	225
Free cash flow	7,714	12,331	1,416	720	6,871	6,151
Change in interest-bearing debt	-2,272	-1,723	6,994	7,608	-11,948	-19,556
Cash dividends paid	-2,533	-2,502	-1,162	-1,161	-672	489
Purchase of treasury stock	-1,890	-20	-172	-172	-1	171
Other-net	-126	-253	-190	-187	-177	10
Financing cash flow	-6,821	-4,500	5,470	6,087	-12,800	-18,887
Foreign currency translation adjustments	276	-635	-626	-364	-376	-12
Net increase(decrease) in cash	1,168	7,195	6,259	6,443	-6,306	-12,749
Cash of newly consolidated subsidiaries, beginning of year	0	38	0	0	0	0
Cash, end of year	7,323	14,557	20,816	21,000	14,510	-6,490

CAPEX and depreciation



EBITDA



Forecast for FY2010

Financial forecast for FY2010

	Original forecast		Revised forecast	
	Amount	Growth	Amount	Growth
Net Sales	66,000	23.8%	68,500	28.5%
Operating profit	6,000	-	7,000	-
as % of sales	9.1%		10.2%	
Ordinary profit	5,500	-	6,200	-
as % of sales	8.3%		9.1%	
Net profit	3,300	-	3,800	-
as % of sales	5.0%		5.5%	
EPS (yen)	34.35		39.55	
CAPEX	2,500		2,500	
Depreciation	5,400		5,400	

Estimated sales growth (yoy)

Japan +38.5% The Americas +19.1% Europe 0.6% Asia+43.9%

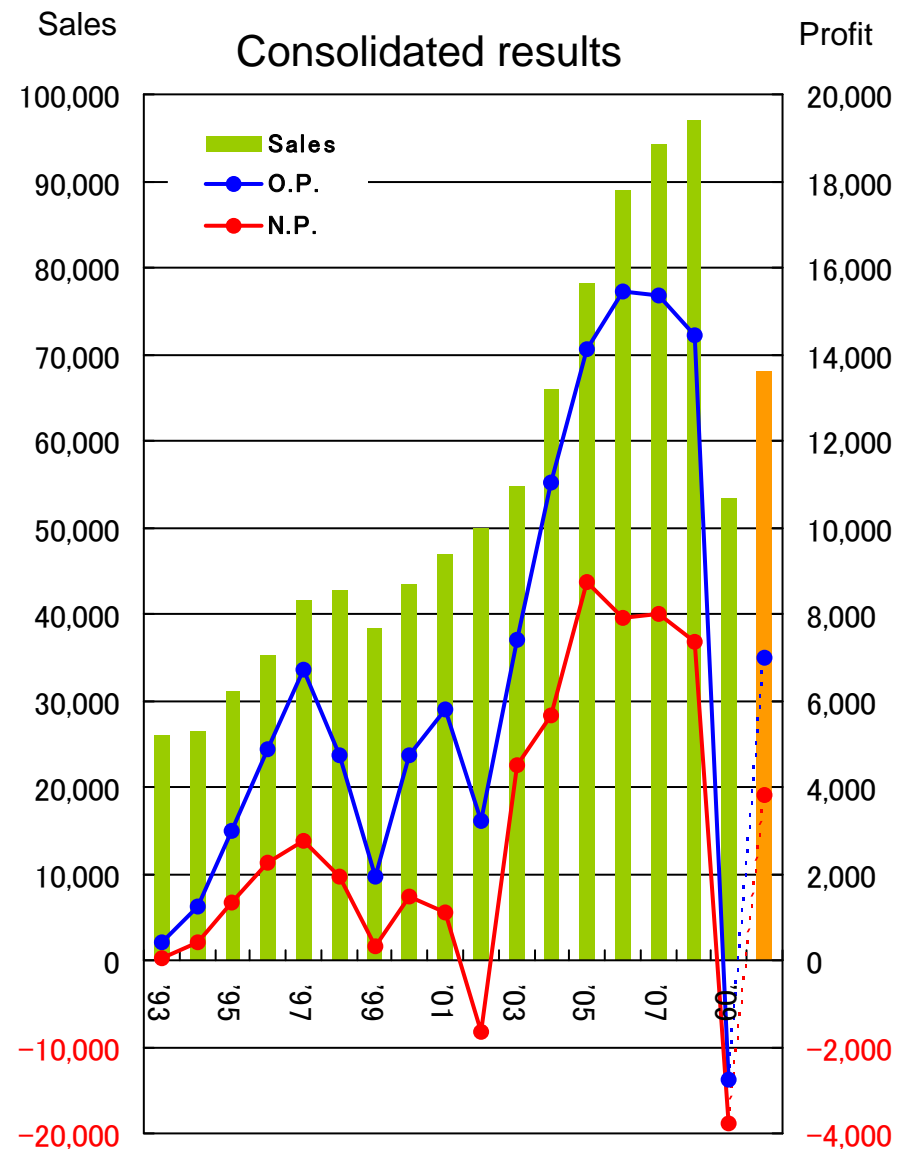
Exchange rate

FY2010/3Q result : 1US\$= 90.72yen 1Euro=123.71yen

FY2010 forecast : 1US\$= 90.00yen 1Euro=120.00yen

Dividend forecast

	Interim	Year-end	Annual
Dividend per share (yen)	4.00	6.00	10.00



Management Policy for FY2010-2H



Management Policy for FY2010-2H

Market share increase in carbide products

- Sales reinforcement of carbide end mills and drills
- Launch of indexable tools

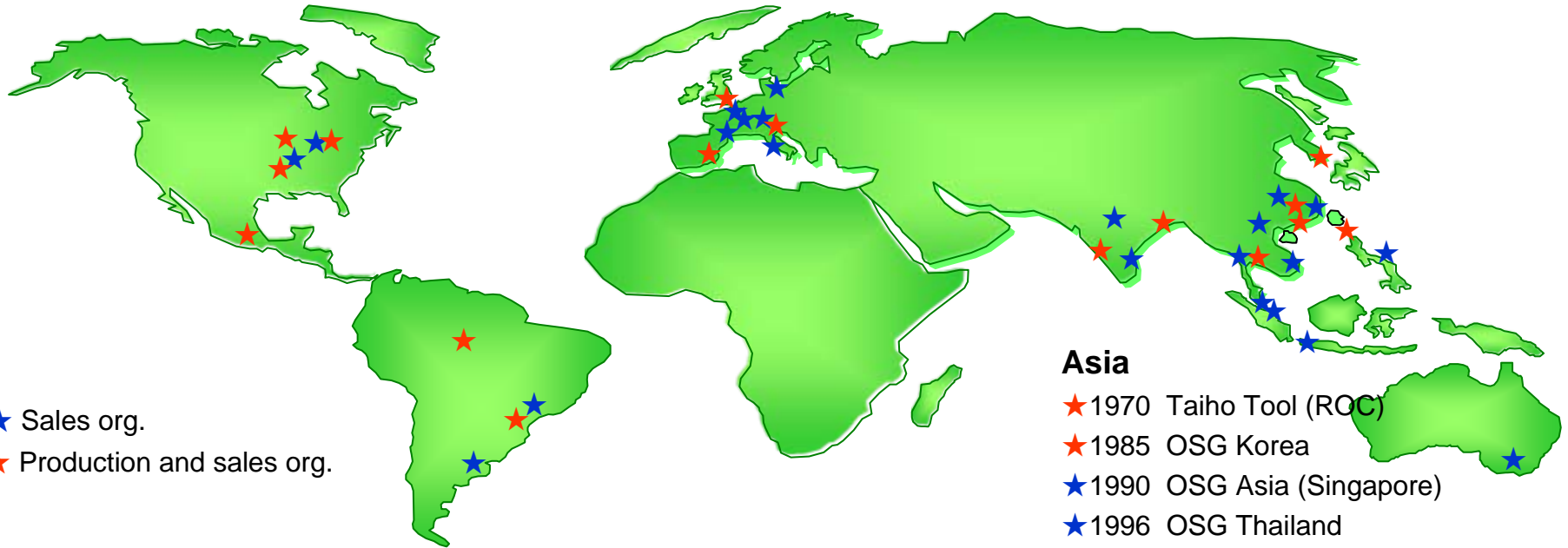
Production expansion in Asia

- Expansion of product lineup in China, Thailand, and India
- Establishment of R&D center in Shanghai

Market share increase in aerospace industry

- Tool development and promotion for processing CFRP (carbon fiber reinforced plastic)
- Tool development and promotion for processing difficult-to-cut materials (eg. heat-resistant alloy)

Expansion of overseas business



- ★ Sales org.
- ★ Production and sales org.

Asia

- ★1970 Taiho Tool (ROC)
- ★1985 OSG Korea
- ★1990 OSG Asia (Singapore)
- ★1996 OSG Thailand
- ★1997 Da-Bao (Dongguan) Tool (China)
- ★2001 OSG Shanghai (China)
- ★2001 Carbide Cutting Tool (India)
- ★2004 OSG Shanghai plant (China)
- ★2005 OSG India
- ★2005 QINGDAO HAOTAI (China)
- ★2007 OSG Trading (China)
- ★2007 OSG Indonesia
- ★2007 Ningbo Dabao (China)
- ★2008 Fudian (China)
- ★2008 Kunshan Dabao (China)
- ★2008 OSG Vietnam
- ★2008 OSG Philippines

The Americas

- ★1968 OSG Tap & Die (USA)
- ★1974 OSG Sulamericana de Ferramentas (Brazil)
- ★1988 OSG Canada
- ★1994 OSG Royco (Mexico)
- ★2001 Quality Carbide Tool (USA)
- ★2004 Sterling Die., Inc. (USA)
- ★2005 Nas Precision (USA)
- ★2006 OFP Amazonia (Brazil)
- ★2007 OSG Correct Tool (Canada)
- ★2008 OSG Argentina

Europe

- ★1997 OSG Europe (Belgium)
- ★1997 OSG Belgium
- ★1997 OSG France
- ★1997 OSG MAC World (the Netherlands)
- ★1999 OSG UK
- ★2000 OSG Scandinavia (Denmark)
- ★2002 OSG Comaher (Spain)
- ★2003 OSG GmbH (Germany)
- ★2003 OSG Italia

Appendix

Appx.1 Consolidated balance sheet

	09/11E	10/08E	Change		09/11E	10/08E	Change
Current Assets	57,845	51,187	-6,658	Current Liabilities	27,628	21,352	-6,276
Cash & time deposits	13,995	14,631	636	N/P & A/P	2,417	3,751	1,334
N/R & A/R	11,543	14,503	2,960	Short-term borrowings	16,395	5,126	-11,269
Marketable securities	9,000	2,000	-7,000	LT borrowings, current portion	3,581	6,062	2,481
Inventories	20,573	17,598	-2,975	Income taxes payable	406	1,006	600
Other	2,885	2,622	-263	Accrued expenses	3,486	2,603	-883
Allowance for doubtful accounts	-154	-169	-15	Other	1,340	2,804	1,464
Fixed Assets	55,536	54,032	-1,504	Long-term Liabilities	24,018	20,788	-3,230
PP&E	42,465	40,149	-2,316	Borrowings	21,254	18,045	-3,209
Intangible assets	2,881	3,521	640	Liabilities for employees' retirement benefits	272	310	38
Investments & other	10,188	10,360	172	Other	2,492	2,433	-59
Current ratio	209%	240%		Total Liabilities	51,647	42,140	-9,507
Quick ratio	125%	146%		Total Equity	61,734	63,079	1,345
Equity capital	55,931	57,238	+1,307	Common stock	10,404	10,404	0
Equity ratio	49.3%	54.4%		Cappital surplus	14,197	14,197	0
Equity per share	582.19	595.80	+13.61	Retained earnings	42,471	44,666	2,195
Interest-bearing debt	41,230	29,233	-11,997	Treasury stock	-3,870	-3,871	-1
Net Cash	-18,235	-12,602	+5,633	Unrealized gain on available-for-sale securities	102	325	223
				Deffered gain on derivatives under hedge accounting	0	2	2
				Foreign currency translation adjustments	-7,374	-8,486	-1,112
				Minority interests	5,803	5,840	37
Total	113,382	105,220	-8,162	Total	113,382	105,220	-8,162

Appx.2 Consolidated income statement

(Millions of yen)

	FY2010								FY2009		3Q-3Q	
	1Q		2Q		3Q		3Q Total		3Q Total		Change	
		%		%		%		%		%		%
Net sales	14,729	100.0	17,227	100.0	18,514	100.0	50,470	100.0	39,326	100.0	11,144	+28.3
Cost of sales	10,371	70.4	10,883	63.2	11,235	60.7	32,489	64.4	28,473	72.4	4,016	+14.1
Gross profit	4,357	29.6	6,345	36.8	7,278	39.3	17,980	35.6	10,852	27.6	7,128	+65.7
SG&A expenses	4,055	27.5	4,115	23.9	4,485	24.2	12,655	25.1	12,729	32.4	-74	-0.6
Operating profit	302	2.1	2,229	12.9	2,794	15.1	5,325	10.6	-1,877	-4.8	7,202	-
Non-operating profit	232		187		98		517		1,295		-778	
Non-operating expenses	311		312		637		1,260		1,081		179	
Ordinary profit	223	1.5	2,104	12.2	2,254	12.2	4,581	9.1	-1,663	-4.2	6,244	-
Extraordinary gain	43		3		4		50		11		39	
Extraordinary loss	37		47		17		101		265		-164	
Profit before taxes	229	1.6	2,060	12.0	2,241	12.1	4,530	9.0	-1,918	-4.9	6,448	-
Income taxes	-49		650		565		1,166		314		852	
Minority interests	153		212		130		495		193		302	
Net profit	126	0.9	1,196	6.9	1,546	8.4	2,868	5.7	-2,425	-6.2	5,293	-

Appx.3 Selected financial data (consolidated)

For the year:		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010/3Q
Net sales	(mill.yen)	43,504	46,842	49,983	54,618	65,975	78,130	88,862	94,164	97,024	53,325	50,470
Sales growth	(%)	13%	8%	7%	9%	21%	18%	14%	6%	3%	-45%	28%
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	32,489
Gross profit	(mill.yen)	14,787	16,750	15,607	20,118	25,168	30,346	34,485	36,004	36,574	14,122	17,980
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	12,655
Operating income	(mill.yen)	4,722	5,776	3,224	7,424	11,029	14,125	15,455	15,356	14,416	-2,735	5,325
Ordinary income	(mill.yen)	4,236	5,661	2,465	6,704	10,529	13,887	14,940	14,570	13,505	-2,703	4,581
Net income	(mill.yen)	1,461	1,111	-1,678	4,510	5,647	8,758	7,917	8,013	7,376	-3,769	2,868
Margins:												
Gross profit margin	(%)	34.0%	35.8%	31.2%	36.8%	38.1%	38.8%	38.8%	38.2%	37.7%	26.5%	35.6%
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%	25.1%
Operating income	(%)	10.9%	12.4%	6.4%	13.6%	16.7%	18.0%	17.4%	16.3%	14.9%	-5.1%	10.6%
Ordinary income	(%)	9.7%	12.1%	4.9%	12.3%	16.0%	17.8%	16.8%	15.5%	13.9%	-5.1%	9.1%
Net income	(%)	3.4%	2.4%	-3.4%	8.3%	8.6%	11.2%	8.9%	8.5%	7.6%	-7.1%	5.7%
Total assets	(mill.yen)	79,681	71,261	74,429	73,886	81,150	93,598	122,451	127,044	122,383	113,382	105,220
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	57,238
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	29.85
Cash dividends (interim)	(yen)	0.00	0.00	0.00	4.00	8.00	10.00	12.00	12.00	12.00	0.00	4.00
(year end)	(yen)	6.00	6.00	6.00	6.00	10.00	16.00	14.00	14.00	12.00	3.00	6.00(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	595.80
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	96,070
Key financial ratios:												
ROE	(%)	3.6%	2.8%	-4.6%	12.5%	14.6%	18.4%	13.8%	12.9%	11.5%	-6.3%	5.0%
Equity ratio	(%)	53.1%	52.9%	47.1%	50.1%	49.9%	58.4%	49.1%	50.6%	52.5%	49.3%	54.4%
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	9,915
Investing CF	(mill.yen)	-1,405	-3,429	-2,493	-2,519	-7,496	-7,200	-30,616	-9,019	1,678	-4,633	-3,044
Financing CF	(mill.yen)	-2,173	-9,651	-2,850	-6,442	-2,870	-897	20,699	-6,821	-4,500	5,470	-12,800
Cash flow margin	(%)	19.9%	13.1%	13.9%	16.9%	17.6%	10.0%	10.7%	17.8%	11.0%	11.3%	19.6%