

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

# Financial Results for FY2011-1Q

 **OSG CORPORATION**

April, 2011  
**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



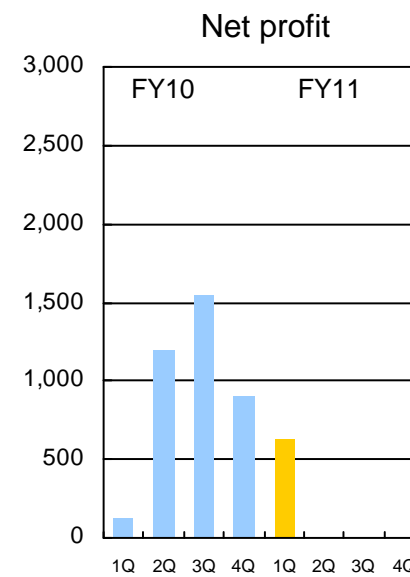
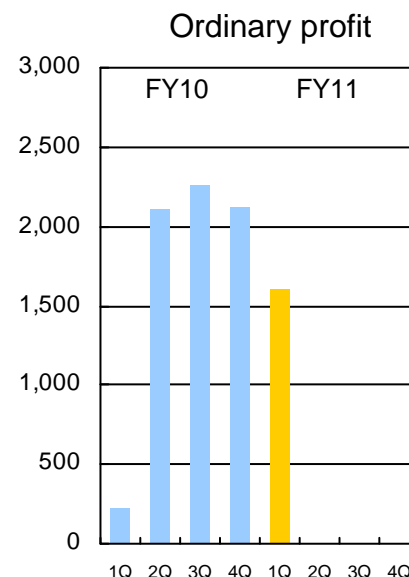
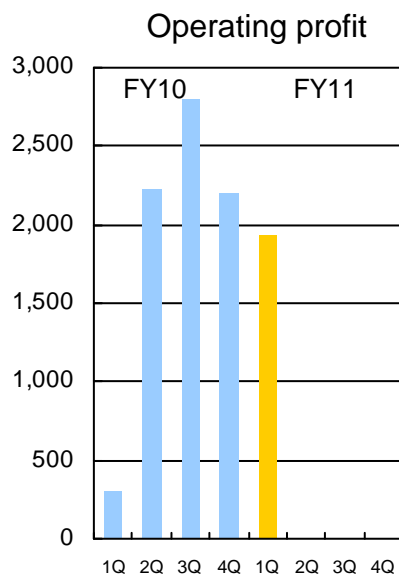
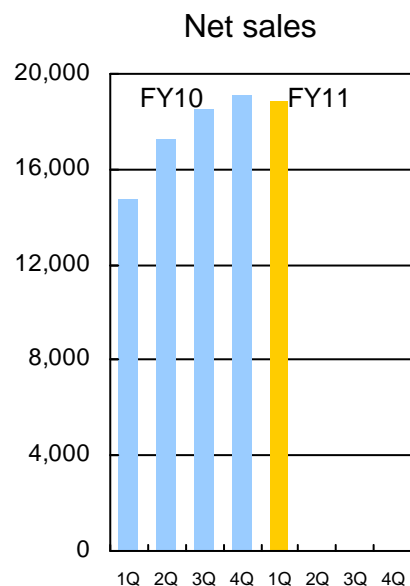
### Note regarding forecast

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 FY2011-1Q

(Millions of yen)

	2010/1Q	2011/1Q	Change		10 results
Net sales	14,729	18,793	4,064	+27.6%	69,513
Operating profit	302	1,935	1,633	+540.6%	7,524
OPM	2.1%	10.3%	-	-	10.8%
Ordinary profit	223	1,612	1,389	+620.5%	6,699
Net profit	126	627	501	+397.2%	3,772
Operating CF	2,368	379	-1,989	-	14,095
EPS(yen)	1.31	6.60	5.29	-	39.34



# Operations by geographical segment

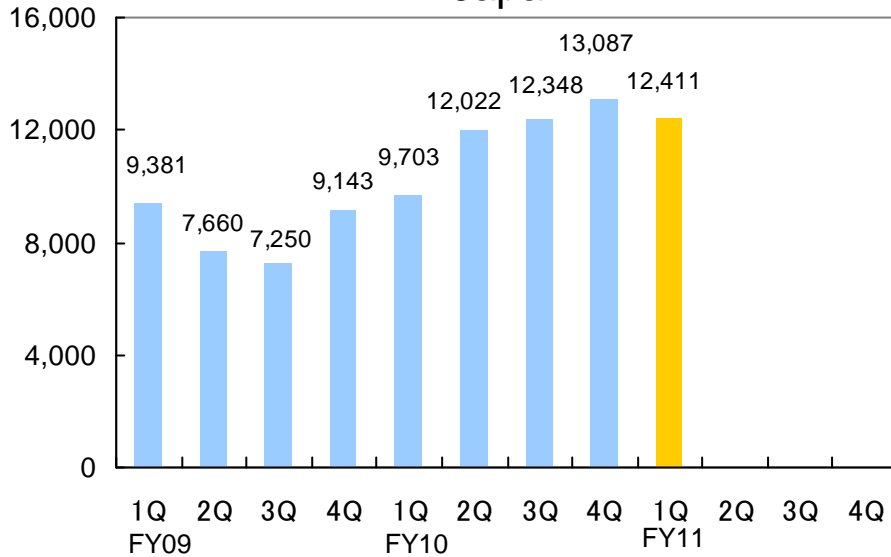
(Millions of yen)

		2010/1Q	2011/1Q	Change		Change in local currency
Japan	Net Sales	9,703	12,411	2,708	+27.9%	-
	O.P	-511	807	1,318	-	-
	O.P.M	-5.3%	6.5%			
The Americas	Net Sales	2,416	2,991	575	+23.8%	+35.0%
	O.P	118	255	137	+116.1%	+134.3%
	O.P.M	4.9%	8.5%			
Europe	Net Sales	1,292	1,466	174	+13.5%	+35.2%
	O.P	73	152	79	+108.2%	+154.6%
	O.P.M	5.7%	10.4%			
Asia	Net Sales	3,555	5,217	1,662	+46.8%	+55.8%
	O.P	603	1,115	512	+84.9%	+96.3%
	O.P.M	17.0%	21.4%			
Total	Net Sales	16,968	22,088	5,120		
	O.P	284	2,330	2,046		
Eliminations	Net Sales	-2,239	-3,294	-1,055		
	O.P	17	-394	-411		
Consolidated	Net Sales	14,729	18,793	4,064	+27.6%	-
	O.P	302	1,935	1,633	+540.6%	-
	O.P.M	2.1%	10.3%			

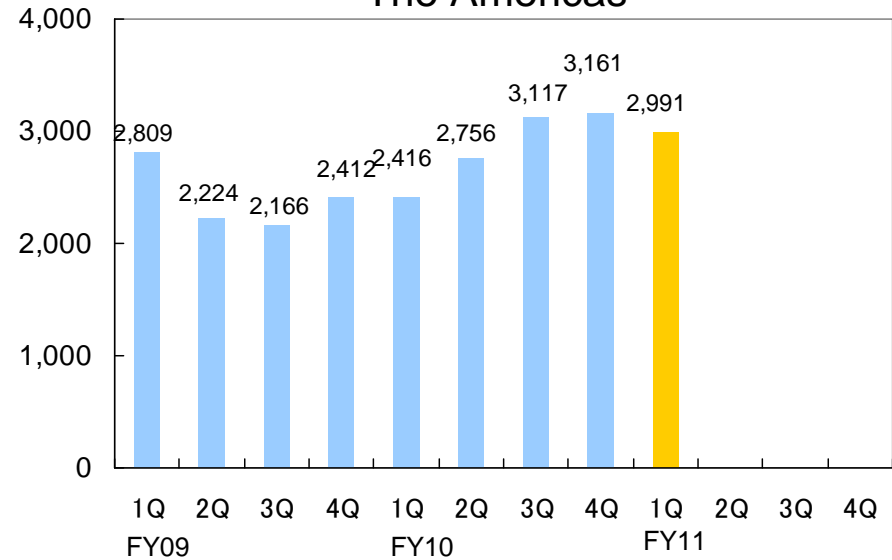
# Net sales by geographical segment

(Millions of yen)

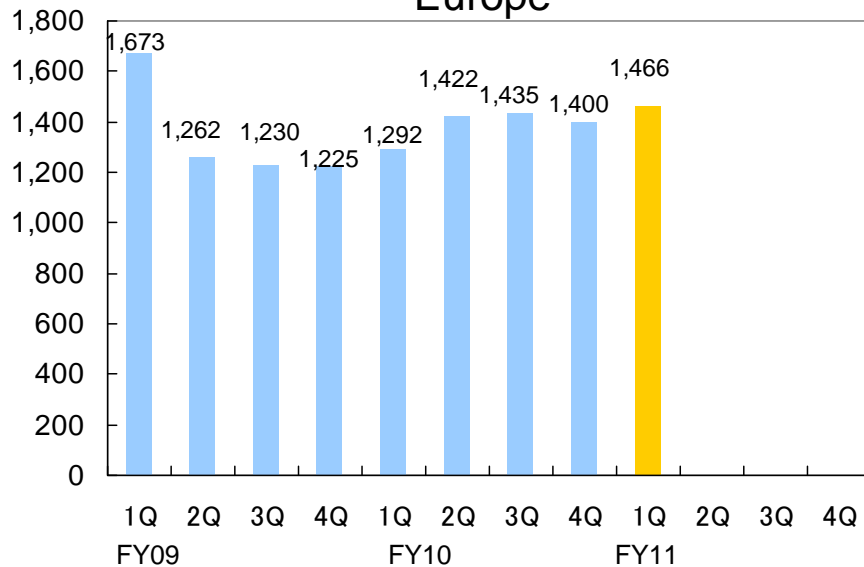
## Japan



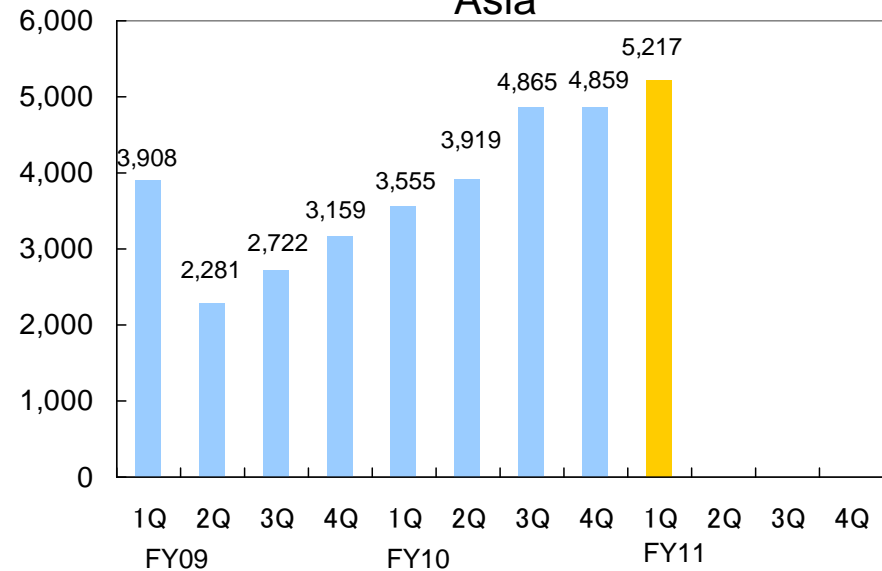
## The Americas



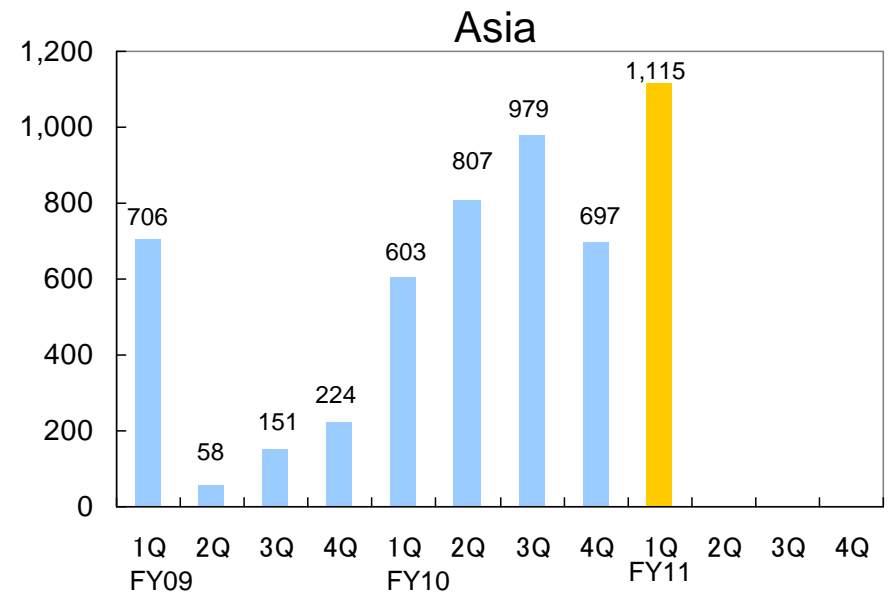
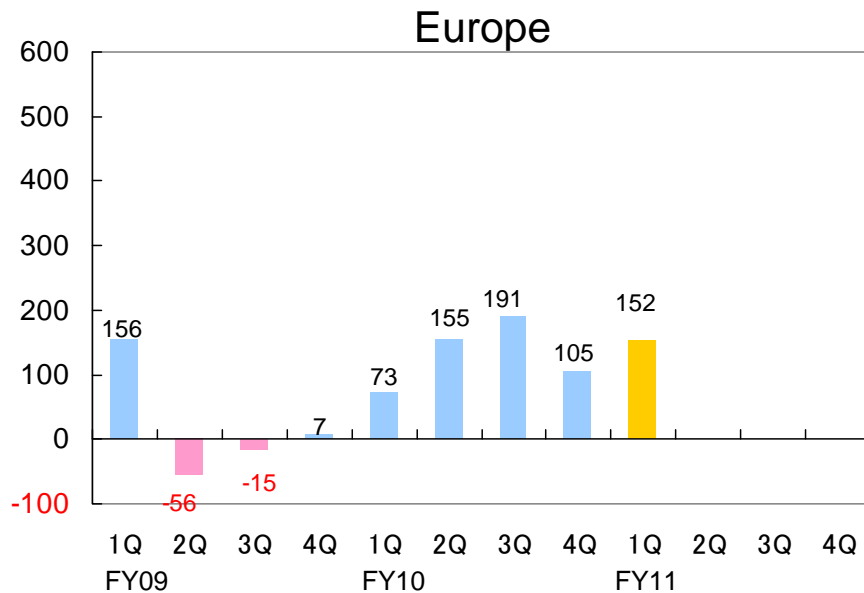
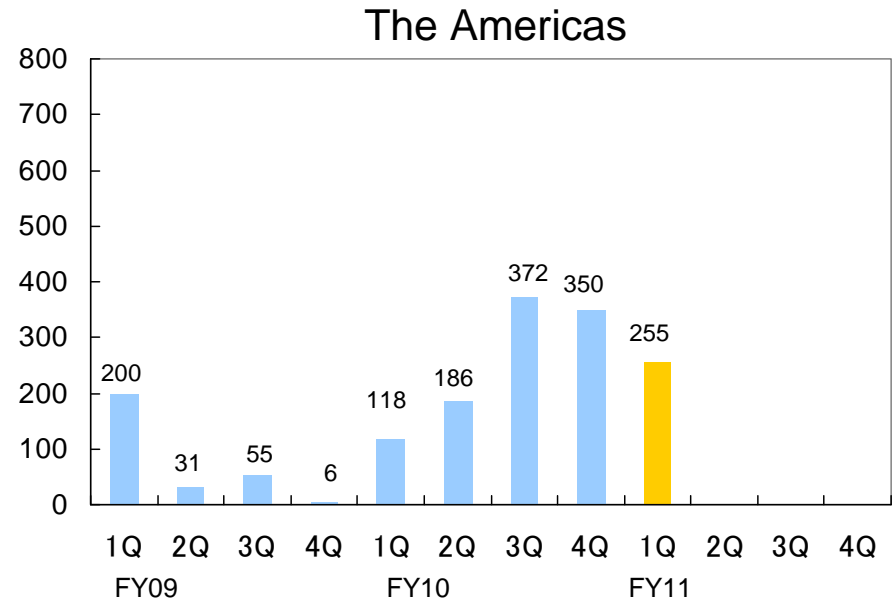
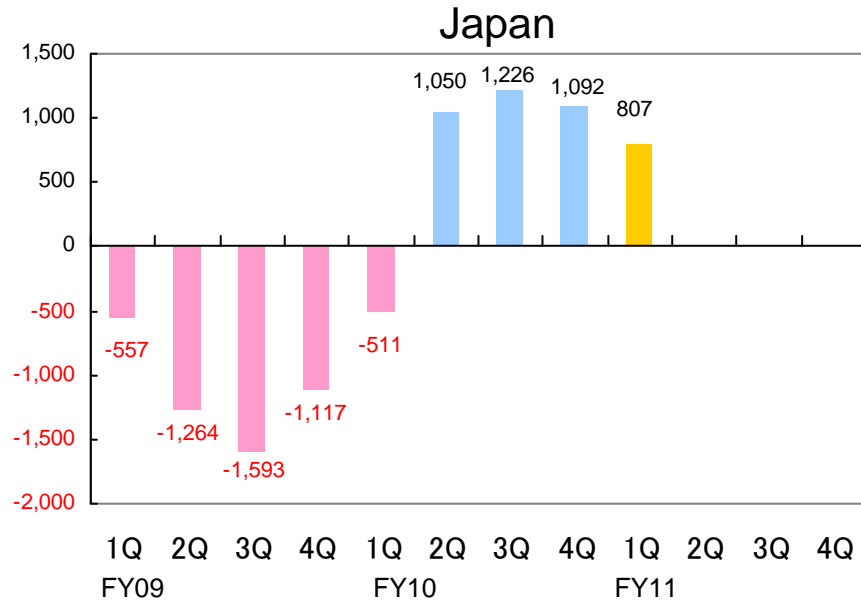
## Europe



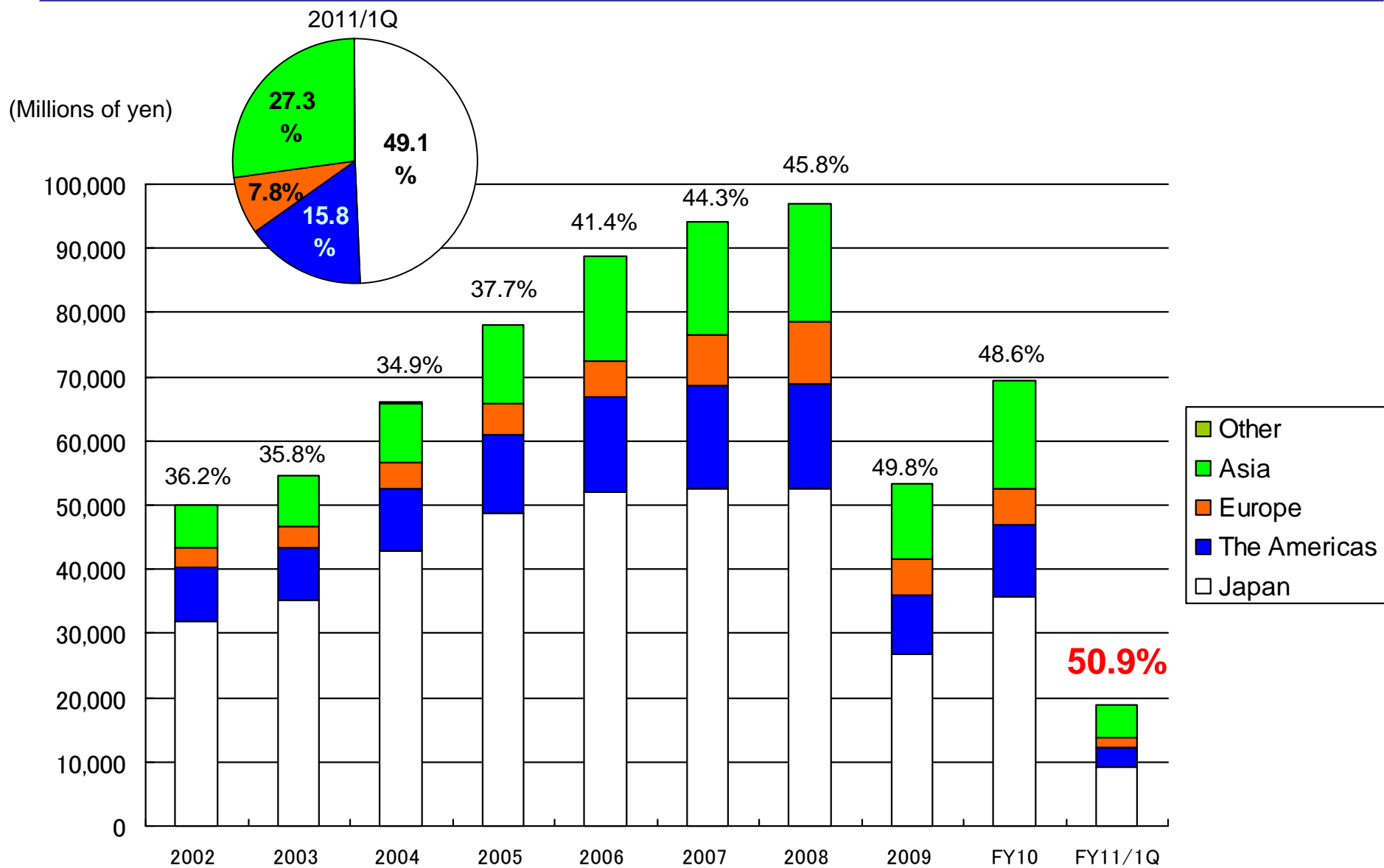
## Asia



# Operating profit by geographical segment



# Overseas sales ratio



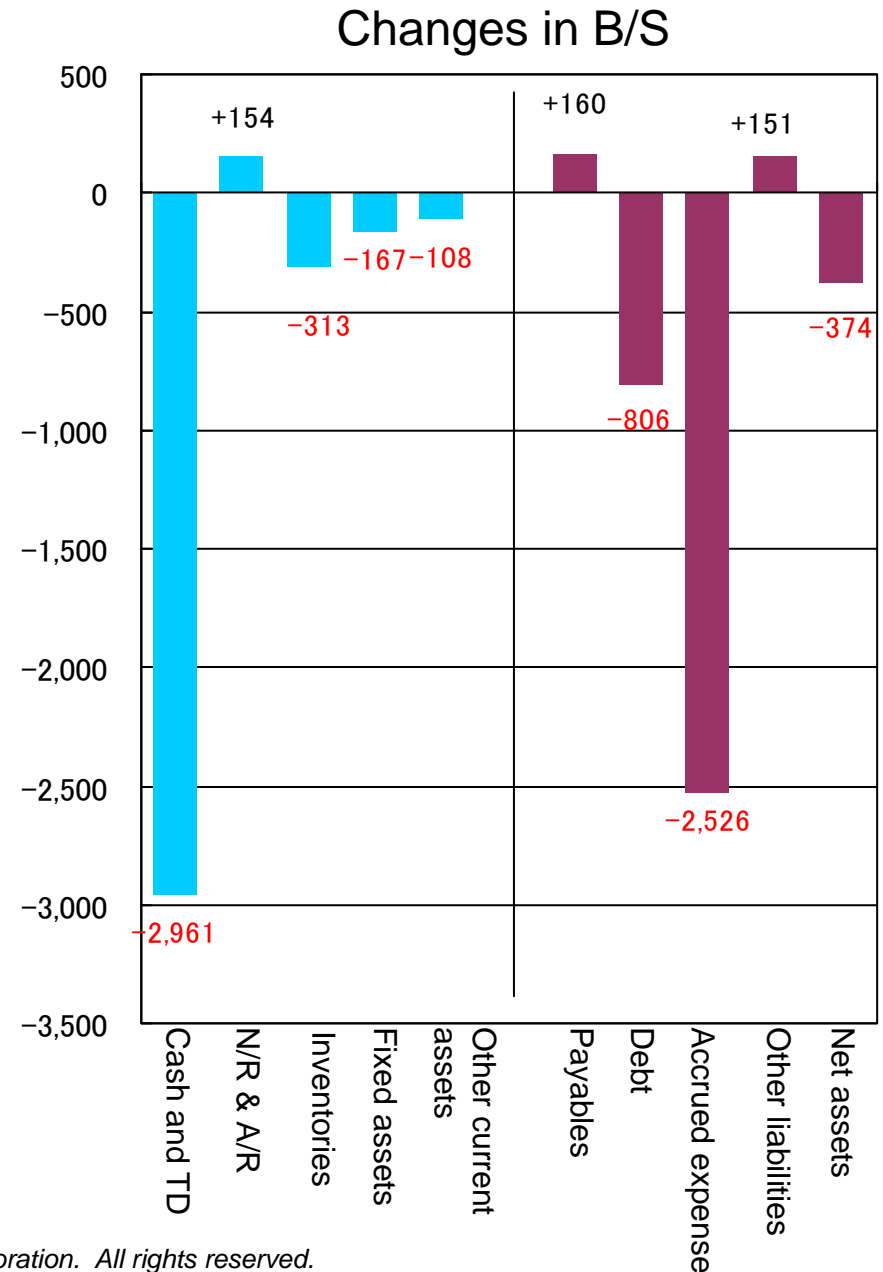
# B/S overview

(Millions of yen)

	10/11E	11/2E	Changes
Cash & TD	16,314	13,353	-2,961
N/R & A/R	15,359	15,513	154
Marketable securities	0	0	0
Inventories	16,970	16,657	-313
Other current assets	3,072	2,964	-108
Fixed assets	53,919	53,752	-167
<b>Total assets</b>	<b>105,635</b>	<b>102,240</b>	<b>-3,395</b>
Total current liabilities	22,975	20,312	-2,663
Total long-term liabilities	19,497	19,139	-358
Total net assets	63,162	62,788	-374
<b>Total liabilities and net assets</b>	<b>105,635</b>	<b>102,240</b>	<b>-3,395</b>

Equity ratio	54.1%	<b>55.7%</b>	
Receivable turnover period	81	75	days
Inventory turnover period	3.0	2.7	months

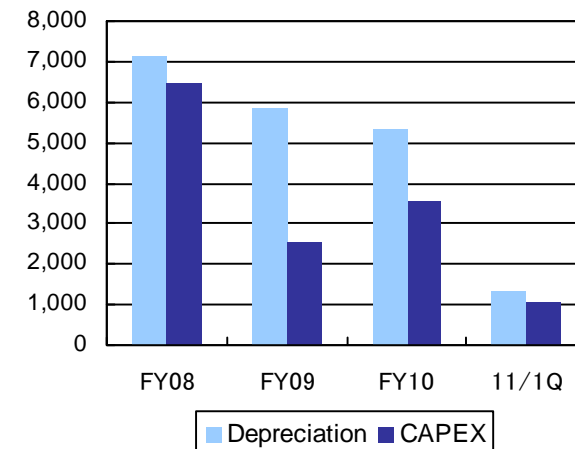
Cash and TD	16,314	13,353	-2,961
Debt	27,317	26,511	-806
Net Cash	-11,003	-13,158	-2,155



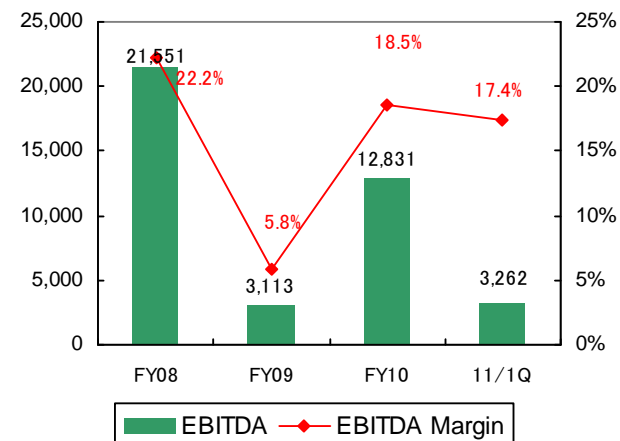
# Cash flow overview

	FY08	FY09	FY10	10/1Q	11/1Q	Change
Income before taxes	10,204	-3,926	6,247	229	1,597	1,368
Depreciation	7,135	5,848	5,307	1,313	1,327	14
Loss (gain) on sales of securities	1,796	-0	-2	0	0	0
Loss on valuation of securities	1,386	11	2	0	0	0
Liability for employees' retirement benefits	-92	-23	-56	8	-6	-14
Change in A/R	-702	6,003	-4,521	-556	-398	158
Change in inventories	-1,497	888	3,091	1,286	108	-1,178
Change in A/P	1,022	-2,775	1,792	377	328	-49
Other-net	239	-1,678	2,960	-50	-1,489	-1,439
Income taxes paid	-8,838	-2,135	-1,191	-239	-1,088	-849
Income Taxes refund	-	3,836	466	-	-	-
Operating cash flow	10,653	6,049	14,095	2,368	379	-1,989
Capital expenditures	-6,455	-2,547	-3,568	-558	-1,036	-478
Purchase of subsidiaries' stock	-990	-146	-96	0	-9	-9
Purchase of securities	-3,034	-8	-10	-2	-2	0
Sales of securities	13,888	0	24	0	0	0
Other-net	-1,731	-1,932	-1,872	-339	343	682
Investing cash flow	1,678	-4,633	-5,522	-899	-704	195
<b>Free cash flow</b>	<b>12,331</b>	<b>1,416</b>	<b>8,573</b>	<b>1,469</b>	<b>-325</b>	<b>-1,794</b>
Change in interest-bearing debt	-1,723	6,994	-13,752	-6,892	-814	6,078
Cash dividends paid	-2,502	-1,162	-674	-267	-721	-454
Purchase of treasury stock	-20	-172	-957	-0	-1	-1
Other-net	-253	-190	-179	-90	-372	-282
Financing cash flow	-4,500	5,470	-15,562	-7,251	-1,909	5,342
Foreign currency translation adjustments	-635	-626	-378	108	-177	-285
Net increase(decrease) in cash	7,195	6,259	-7,367	-5,673	-2,412	3,261
Cash of newly consolidated subsidiaries, beginning of year	38	0	75	0	0	0
Cash, end of year	14,557	20,816	13,525	15,143	11,112	-4,031

## CAPEX and Depreciation



## EBITDA



# Forecast for FY2011

## Financial forecast for FY2011 (As of Jan 2011)

	1H forecast		Annual forecast	
	Amount	Growth	Amount	Growth
Net Sales	36,700	14.8%	75,000	7.9%
Operating profit as % of sales	4,200	65.9%	10,000	32.9%
Ordinary profit as % of sales	3,800	63.3%	9,200	37.3%
Net profit as % of sales	2,100	58.8%	5,200	37.8%
EPS (yen)	22.11		54.75	
CAPEX	-		5,600	*
Depreciation	-		5,900	*

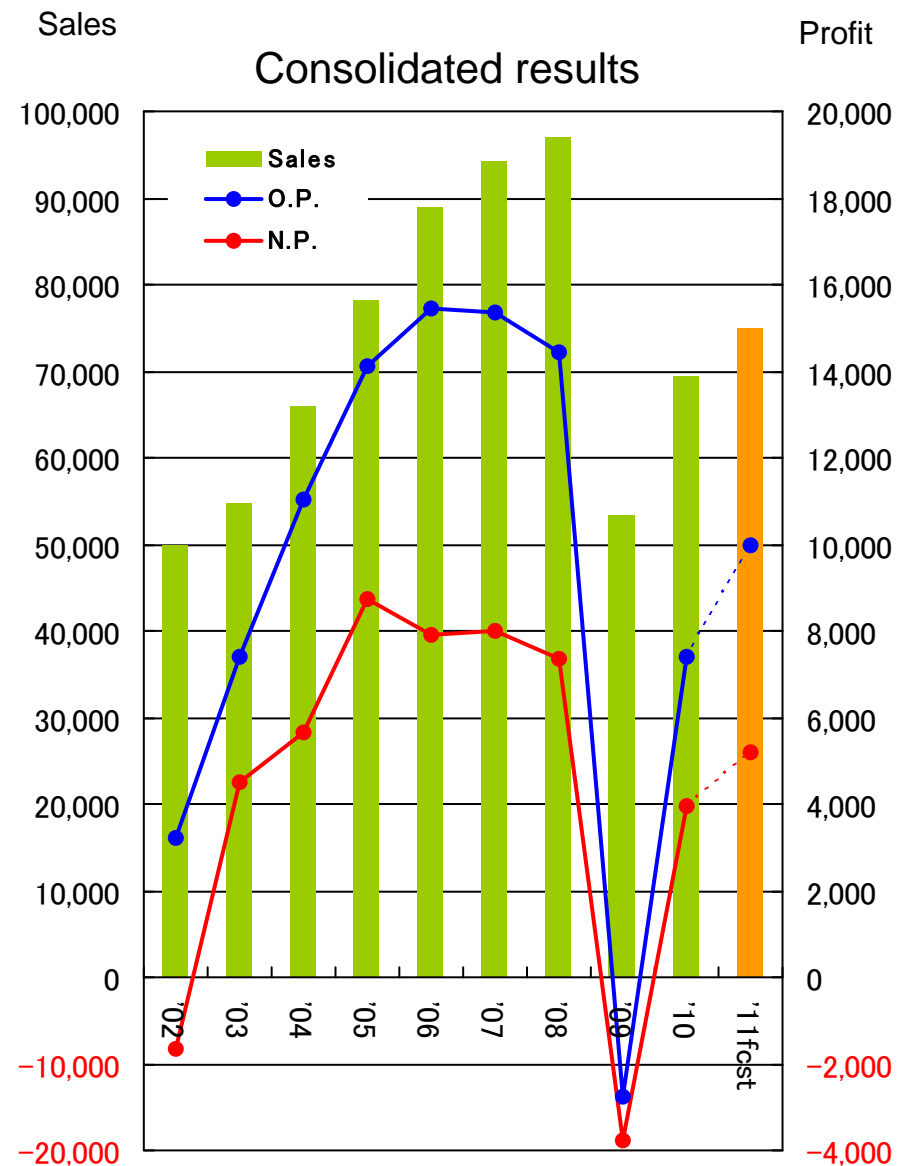
\*CAPEX and depreciation amounts will be revised in July.

Estimated annual sales growth (yoy)  
 Japan +8.2% The Americas +12.9% Europe +6.3% Asia+9.2%

Exchange rate  
 FY2011/1Q result : 1US\$= 82.22yen 1Euro=110.39yen  
 FY2011 forecast : 1US\$= 83.00yen 1Euro=110.00yen

## Dividend forecast

	Interim	Year-end	Annual
Dividend per share (yen)	6.00	10.00	16.00



# Appendix

# Appx.1 Consolidated balance sheet

	2010-11	2010-02	Change		2010-11	2010-02	Change
Current Assets	51,715	48,487	-3,228	Current Liabilities	22,975	20,312	-2,663
Cash & time deposits	16,314	13,353	-2,961	N/P & A/P	3,731	3,891	160
N/R & A/R	15,359	15,513	154	Short-term borrowings	4,654	4,361	-293
Marketable securities	0	0	0	LT borrowings, current portion	5,781	5,663	-118
Inventories	16,970	16,657	-313	Income taxes payable	1,358	918	-440
Other	3,241	3,140	-101	Accrued expenses	5,086	2,560	-2,526
Allowance for doubtful accounts	-169	-176	-7	Other	2,365	2,919	554
Fixed Assets	53,919	53,752	-167	Long-term Liabilities	19,497	19,139	-358
PP&E	40,245	39,925	-320	Borrowings	16,882	16,487	-395
Intangible assets	3,632	3,393	-239	Liabilities for employees' retirement benefits	227	218	-9
Investments & other	10,041	10,433	392	Other	16,655	2,434	-14,221
				Total Liabilities	42,473	39,451	-3,022
				Total Equity	63,162	62,788	-374
Current ratio	225%	239%		Common stock	10,404	10,404	0
Quick ratio	138%	142%		Cappital surplus	14,197	14,197	0
Equity capital	57,117	56,953	-164	Retained earnings	45,622	45,489	-133
Equity ratio	54.1%	55.7%		Treasury stock	-4,827	-4,828	-1
Equity per share	601.44	599.72	-1.72	Unrealized gain on availabe-for-sale securities	577	1,107	530
Interest-bearing debt	27,317	26,511	-806	Deferred gain on derivatives under hedge account	0	0	0
Net Cash	-11,003	-13,158	-2,155	Foreign currency translation adjustments	-8,854	-9,416	-562
				Minority interests	6,044	5,834	-210
<b>Total</b>	<b>105,635</b>	<b>102,240</b>	<b>-3,395</b>	<b>Total</b>	<b>105,635</b>	<b>102,240</b>	<b>-3,395</b>

# Appx.2 Consolidated income statement

	FY2010										FY2011		Change	
	1Q		2Q		3Q		4Q		Total		1Q			
		%		%		%		%		%		%		%
Net sales	14,729	100.0	17,227	100.0	18,514	100.0	19,043	100.0	69,513	100.0	18,793	100.0	4,064	+27.6
Cost of sales	10,371	70.4	10,883	63.2	11,235	60.7	12,116	63.6	44,605	64.2	11,912	63.4	1,541	+14.9
Gross profit	4,357	29.6	6,345	36.8	7,278	39.3	6,927	36.4	24,907	35.8	6,880	36.6	2,523	+57.9
SG&A expenses	4,055	27.5	4,115	23.9	4,485	24.2	4,728	24.8	17,383	25.0	4,944	26.3	889	+21.9
Operating profit	302	2.1	2,229	12.9	2,794	15.1	2,199	11.5	7,524	10.8	1,935	10.3	1,633	+540.6
Non-operating profit	232		187		98		163		680		163		-69	
Non-operating expenses	311		312		637		245		1,505		486		175	
Ordinary profit	223	1.5	2,104	12.2	2,254	12.2	2,118	11.1	6,699	9.6	1,612	8.6	1,389	+620.5
Extraordinary gain	43		3		4		3		53		7		-36	
Extraordinary loss	37		47		17		405		506		22		-15	
Profit before taxes	229	1.6	2,060	12.0	2,241	12.1	1,717	9.0	6,247	9.0	1,597	8.5	1,368	+597.4
Income taxes	-49		650		565		721		1,887		724		773	
Minority interests	153		212		130		92		587		246		93	
Net profit	126	0.9	1,196	6.9	1,546	8.4	904	4.7	3,772	5.4	627	3.3	501	+397.2

# Appx.3 Selected financial data (consolidated)

<b>For the year:</b>		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011/1Q
Net sales	(mill.yen)	49,983	54,618	65,975	78,130	88,862	94,164	97,024	53,325	69,513	18,793
Sales growth	(%)	7%	9%	21%	18%	14%	6%	3%	-45%	30%	28%
Cost of sales	(mill.yen)	34,375	34,499	40,807	47,783	54,376	58,159	60,449	39,203	44,605	11,912
Gross profit	(mill.yen)	15,607	20,118	25,168	30,346	34,485	36,004	36,574	14,122	24,907	6,880
SG&A expenses	(mill.yen)	12,383	12,694	14,139	16,220	19,030	20,647	22,158	16,857	17,383	4,944
Operating income	(mill.yen)	3,224	7,424	11,029	14,125	15,455	15,356	14,416	-2,735	7,524	1,935
Ordinary income	(mill.yen)	2,465	6,704	10,529	13,887	14,940	14,570	13,505	-2,703	6,699	1,612
Net income	(mill.yen)	-1,678	4,510	5,647	8,758	7,917	8,013	7,376	-3,769	3,772	627
<b>Margins:</b>											
Gross profit margin	(%)	31.2%	36.8%	38.1%	38.8%	38.8%	38.2%	37.7%	26.5%	35.8%	36.6%
SG&A as % of sales	(%)	24.8%	23.2%	21.4%	20.8%	21.4%	21.9%	22.8%	31.6%	25.0%	26.3%
Operating income	(%)	6.4%	13.6%	16.7%	18.0%	17.4%	16.3%	14.9%	-5.1%	10.8%	10.3%
Ordinary income	(%)	4.9%	12.3%	16.0%	17.8%	16.8%	15.5%	13.9%	-5.1%	9.6%	8.6%
Net income	(%)	-3.4%	8.3%	8.6%	11.2%	8.9%	8.5%	7.6%	-7.1%	5.4%	3.3%
Total assets	(mill.yen)	74,429	73,886	81,150	93,598	122,451	127,044	122,383	113,382	105,635	102,240
Total shareholders' equity	(mill.yen)	35,025	37,028	40,464	54,647	60,081	64,295	64,251	55,931	57,117	56,954
<b>Per share:</b>											
Net income	(yen)	-17.25	46.92	60.32	89.10	81.00	82.42	76.53	-39.22	39.34	6.60
Cash dividends (interim)	(yen)	0.00	4.00	8.00	10.00	12.00	12.00	12.00	0.00	4.00	6.00(fcst)
(year end)	(yen)	6.00	6.00	10.00	16.00	14.00	14.00	12.00	3.00	8.00	10.00(fcst)
Total shareholders' equity	(yen)	363.89	401.34	442.03	554.90	615.07	667.01	666.71	582.19	601.44	599.72
Numbers of shares issued	(ths)	96,255	91,933	91,233	98,079	97,681	96,393	96,371	96,071	94,969	94,968
<b>Key financial ratios:</b>											
ROE	(%)	-4.6%	12.5%	14.6%	18.4%	13.8%	12.9%	11.5%	-6.3%	6.7%	1.1%
Equity ratio	(%)	47.1%	50.1%	49.9%	58.4%	49.1%	50.6%	52.5%	49.3%	54.1%	55.7%
<b>Cash flow:</b>											
Operating CF	(mill.yen)	6,968	9,239	11,585	7,820	9,546	16,733	10,653	6,049	14,095	379
Investing CF	(mill.yen)	-2,493	-2,519	-7,496	-7,200	-30,616	-9,019	1,678	-4,633	-5,522	-704
Financing CF	(mill.yen)	-2,850	-6,442	-2,870	-897	20,699	-6,821	-4,500	5,470	-15,562	-1,909
Cash flow margin	(%)	13.9%	16.9%	17.6%	10.0%	10.7%	17.8%	11.0%	11.3%	20.3%	2.0%