

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

Financial Results for FY2011 Semi-Annual

 **OSG CORPORATION**

July, 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



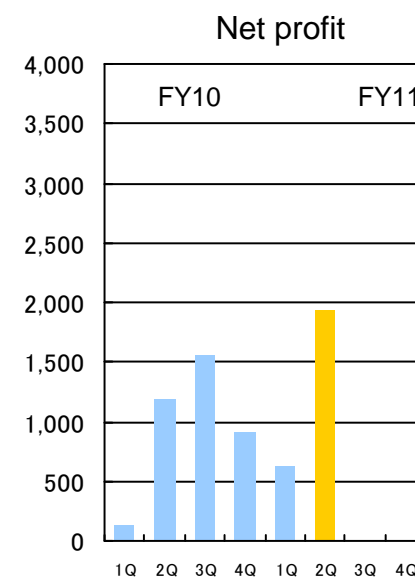
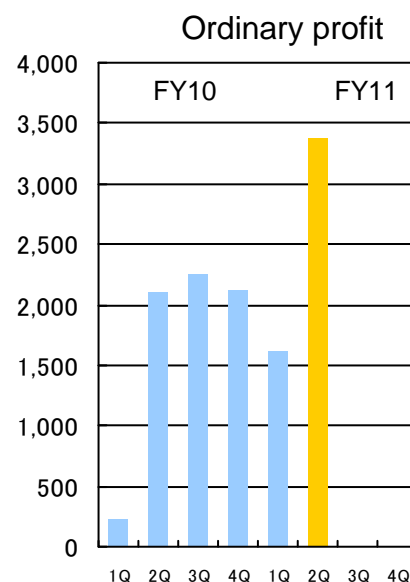
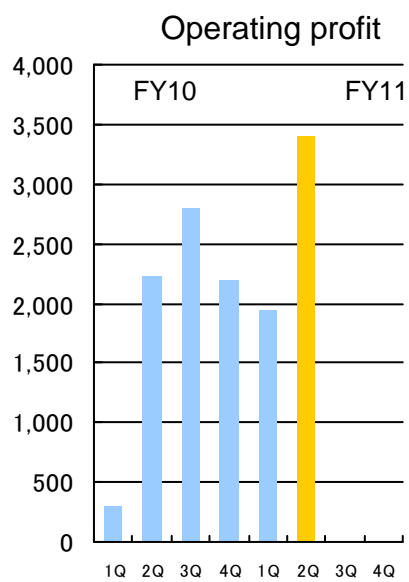
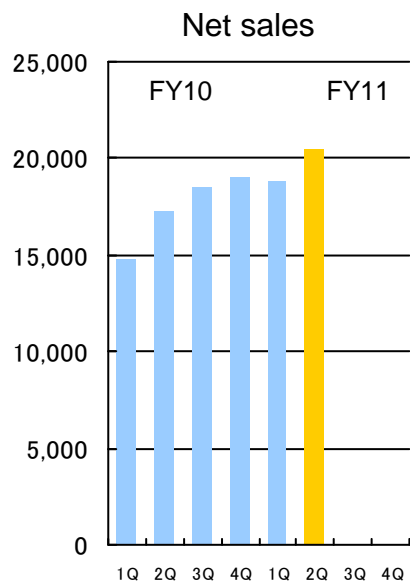
Note regarding forecast

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 FY2011-1H

(Millions of yen)

	2010/1H	2011/1H	Change		Forecast	Variance
Net sales	31,956	39,222	7,266	+22.7%	36,700	+2,522
Operating profit	2,531	5,335	2,804	+110.7%	4,200	+1,135
OPM	7.9%	13.6%	-	-	11.4%	-
Ordinary profit	2,327	4,979	2,652	+114.0%	3,800	+1,179
Net profit	1,322	2,555	1,233	+93.3%	2,100	+455
Operating CF	7,211	4,876	-2,335	-	-	-
EPS(yen)	13.76	26.91	13.15	-	22.11	+4.80



Review

- Variance from the original forecast
 - Net Sales 36.7 billion yen → 39.2 billion yen (+2.5 billion yen)
 - Operating profit 4.2 billion yen → 5.3 billion yen (+1.1 billion yen)
 - Sales in Asia and Japan were beyond expectations.
- Stable financial condition
 - Decrease in debt 2.0 billion yen
 - Equity ratio 56.3% (54.1% as of 10/11E)
- Cash flow generation
 - Operating cash flow 4.9 billion yen (7.2 billion yen for 10/1H)
 - Inventory and income tax payment comparatively increased.
- Review by region
 - Japan
 - Tap production marked the highest ever by increasing production capacity.
 - The Impact of the earthquake in Northern Japan on our business was limited.
 - Europe and America
 - The economic recovery is continuing, and our order booking almost reaches the peak.
 - Asia
 - Net sales and operating profit increased materially by booming order booking.

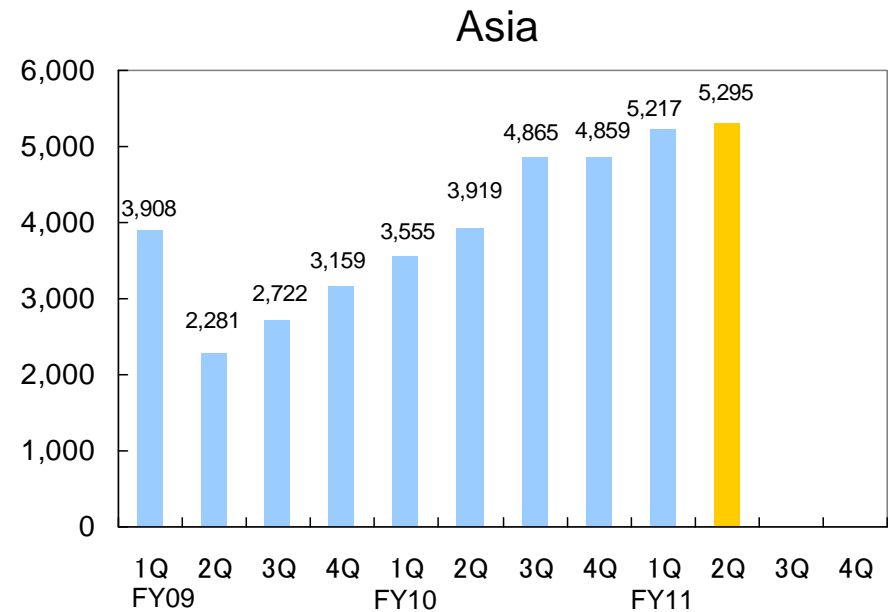
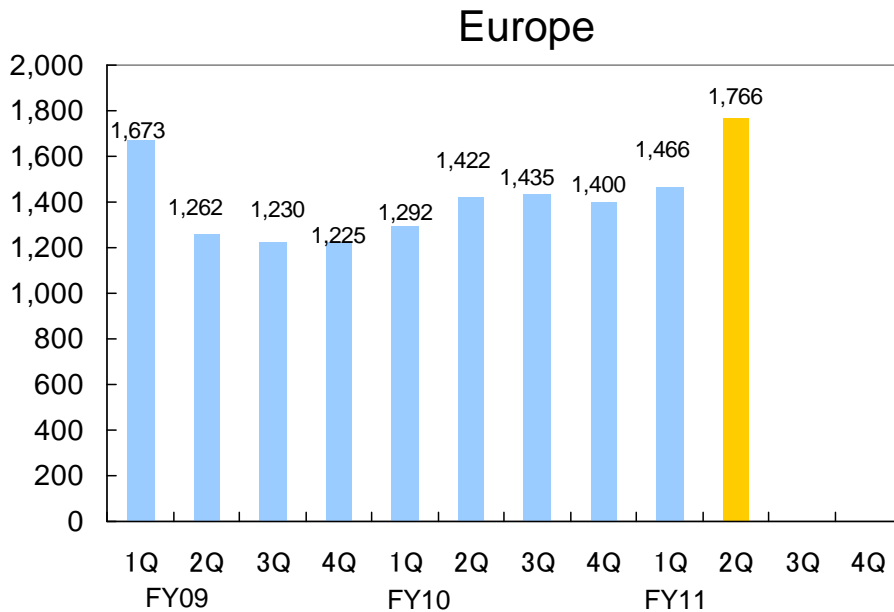
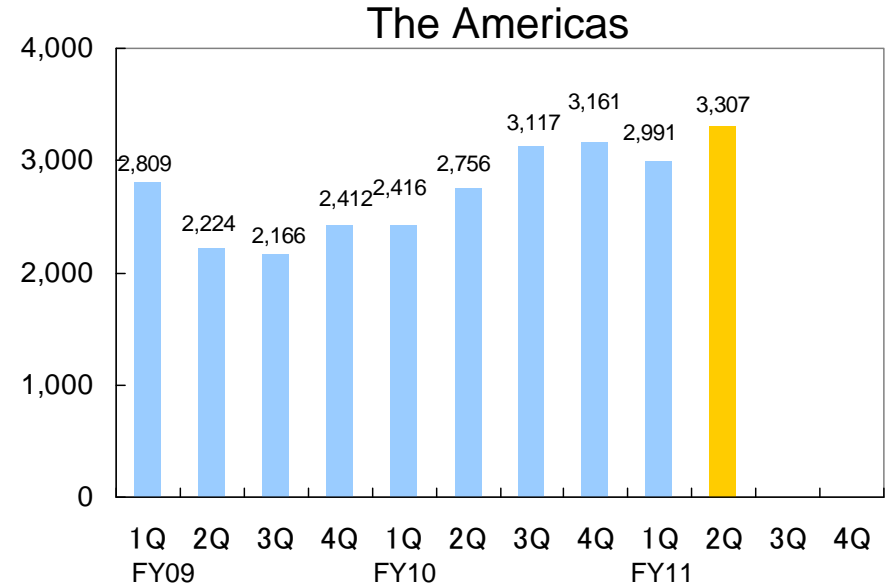
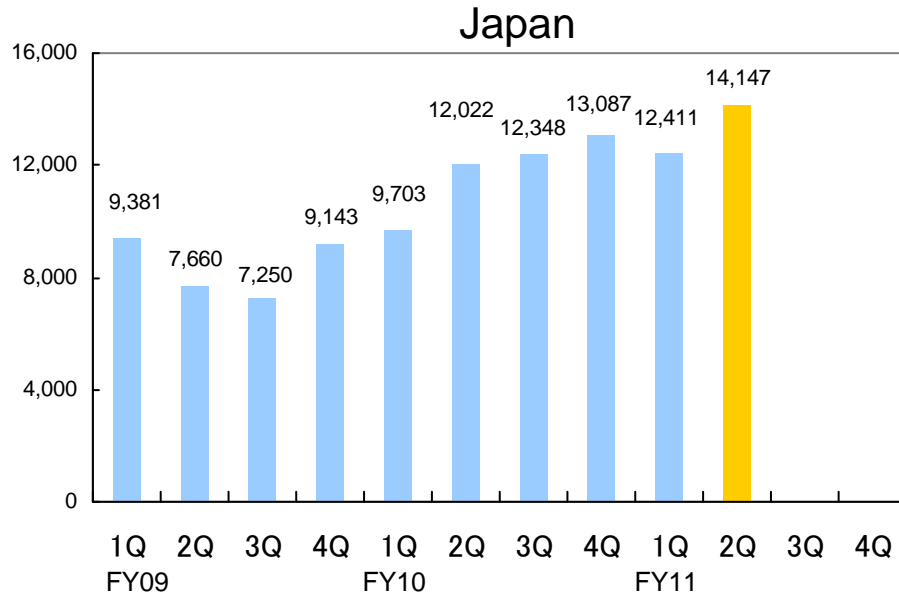
Operations by geographical segment

(Millions of yen)

		2010/1H	2011/1H	Change		Change in local currency
Japan	Net Sales	21,725	26,558	4,833	+22.2%	-
	O.P	539	2,568	2,029	+376.4%	-
	O.P.M	2.5%	9.7%			
The Americas	Net Sales	5,172	6,298	1,126	+21.8%	+32.2%
	O.P	304	626	322	+105.9%	+126.0%
	O.P.M	5.9%	9.9%			
Europe	Net Sales	2,714	3,232	518	+19.1%	+35.4%
	O.P	228	428	200	+87.7%	+117.6%
	O.P.M	8.4%	13.2%			
Asia	Net Sales	7,474	10,512	3,038	+40.6%	+49.2%
	O.P	1,410	2,210	800	+56.7%	+66.5%
	O.P.M	18.9%	21.0%			
Total	Net Sales	37,086	46,602	9,516		
	O.P	2,483	5,834	3,351		
Eliminations	Net Sales	-5,129	-7,379	-2,250		
	O.P	48	-498	-546		
Consolidated	Net Sales	31,956	39,222	7,266	+22.7%	-
	O.P	2,531	5,335	2,804	+110.7%	-
	O.P.M	7.9%	13.6%			

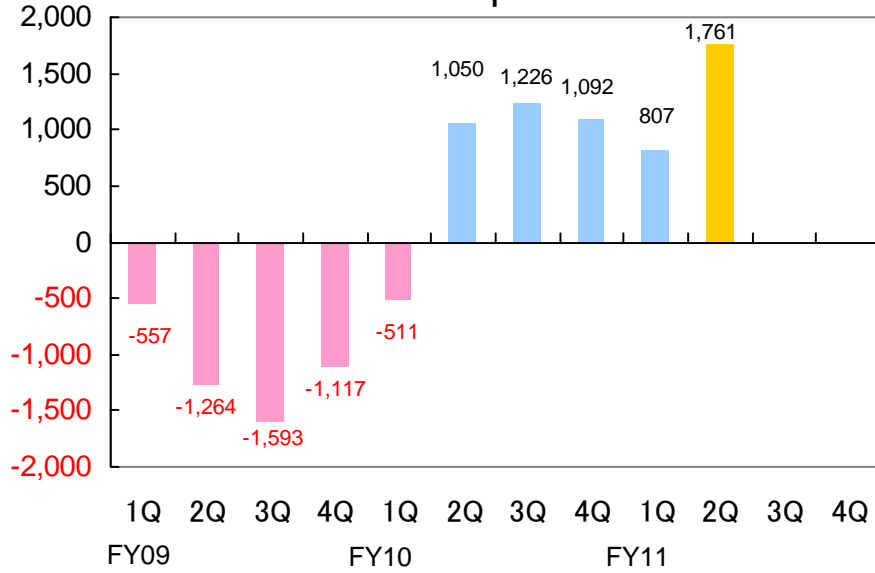
Net sales by geographical segment

(Millions of yen)

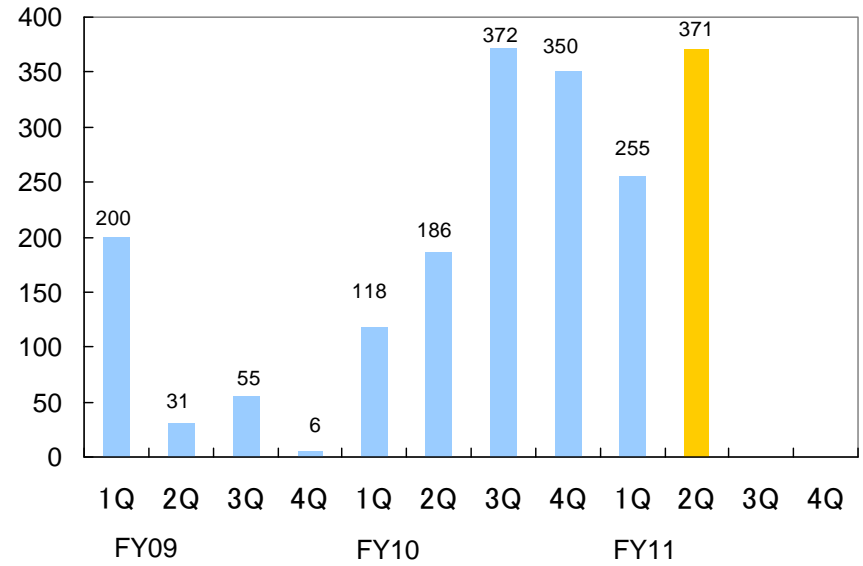


Operating profit by geographical segment

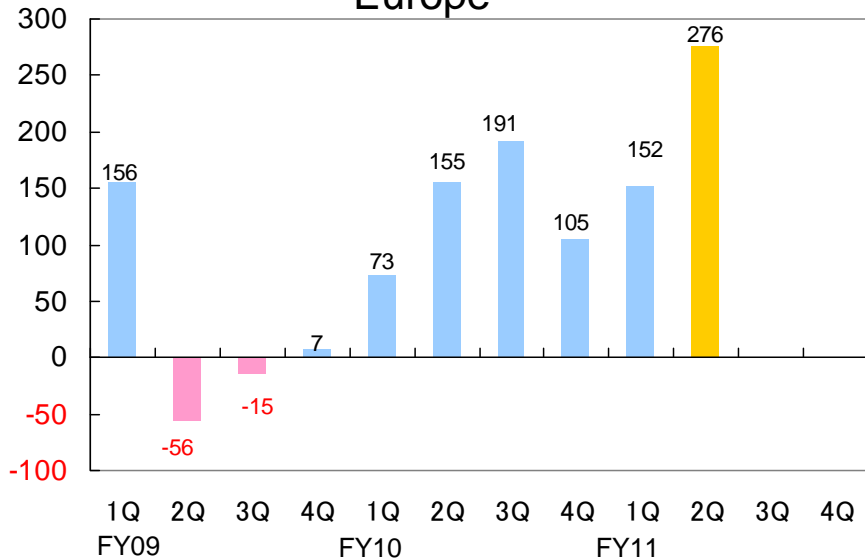
Japan



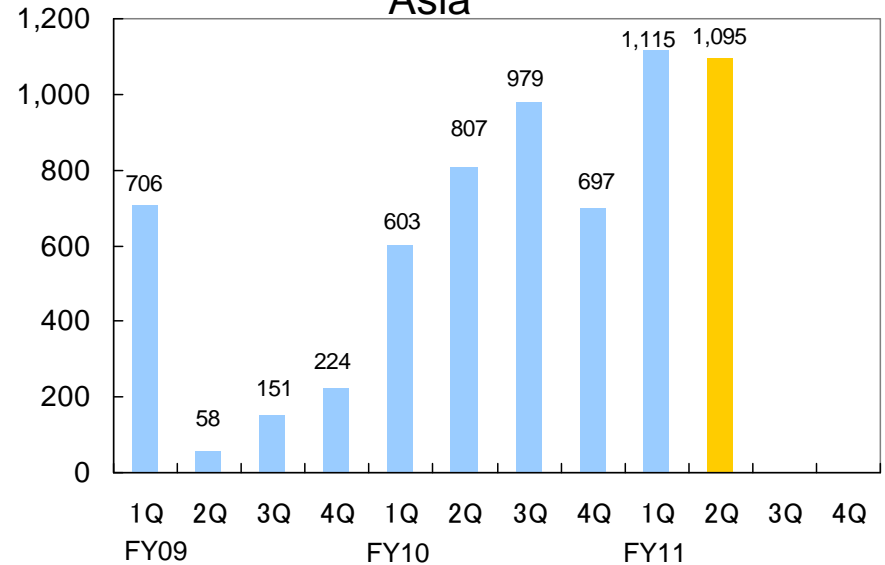
The Americas



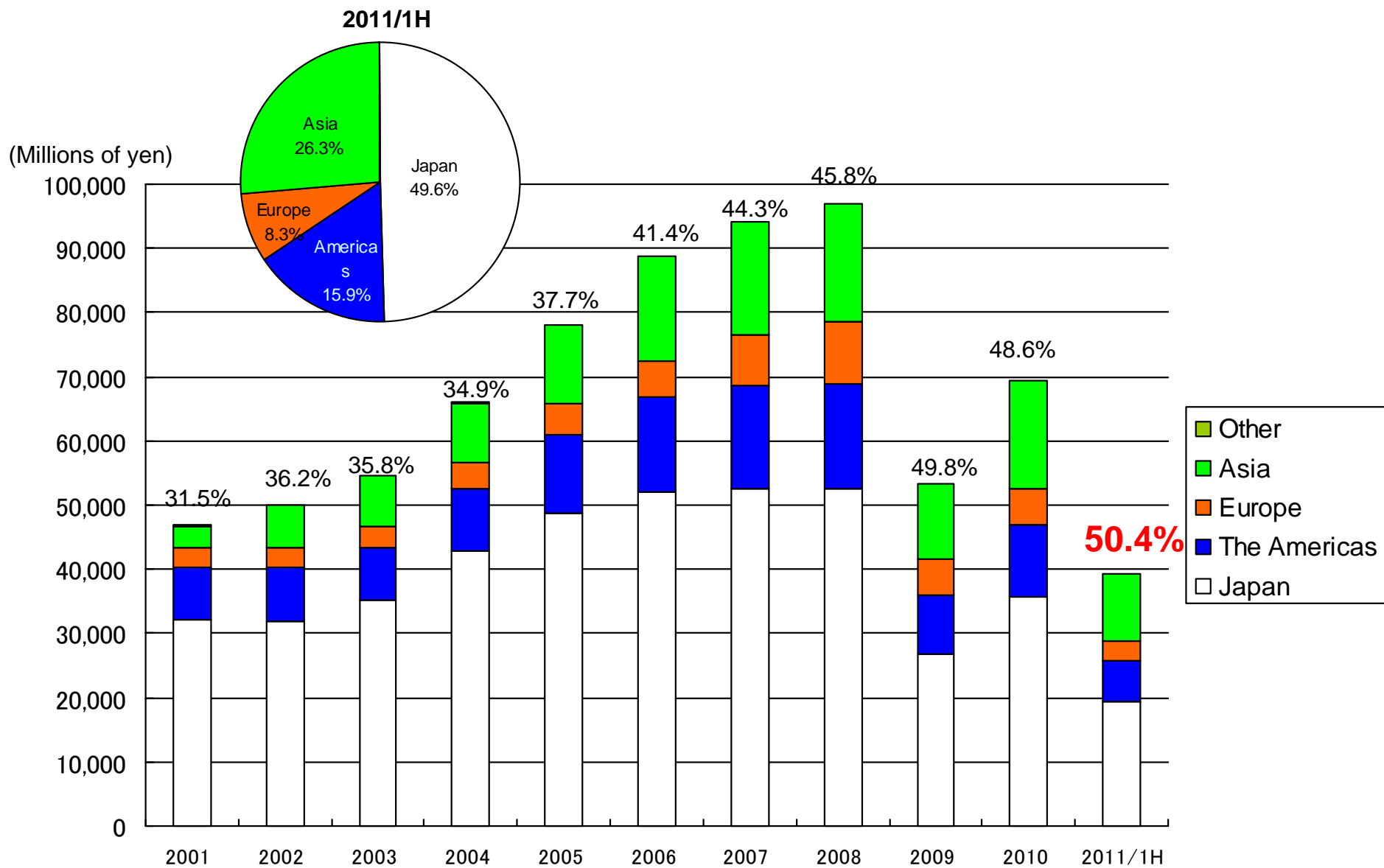
Europe



Asia



Overseas sales ratio



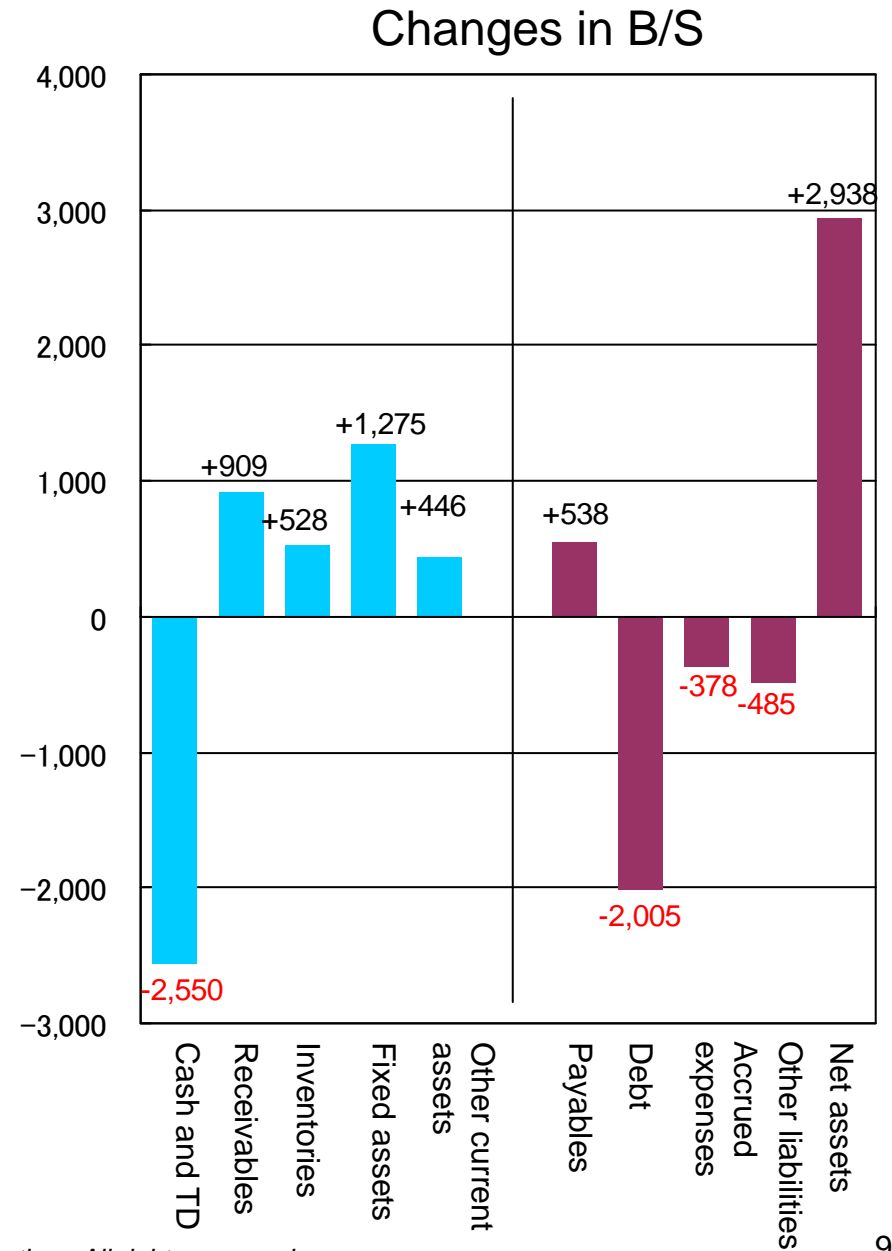
B/S overview

(Millions of yen)

	10/11E	11/5E	Changes
Cash & TD	16,314	13,764	-2,550
Receivables	15,359	16,268	909
Marketable securities	0	0	0
Inventories	16,970	17,498	528
Other current assets	3,072	3,518	446
Fixed assets	53,919	55,194	1,275
Total assets	105,635	106,243	608
Total current liabilities	22,975	21,152	-1,823
Total long-term liabilities	19,497	18,990	-507
Total net assets	63,162	66,100	2,938
Total liabilities and net assets	105,635	106,243	608

Equity ratio	54.1%	56.3%	
Receivable turnover period	81	76	days
Inventory turnover period	3.0	2.7	months

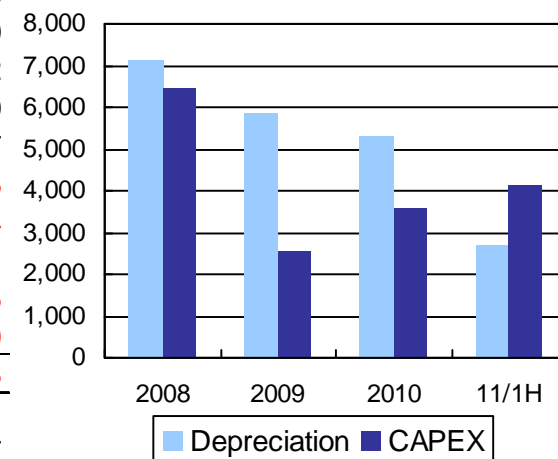
Cash and TD	16,314	13,764	-2,550
Debt	27,317	25,312	-2,005
Net Cash	-11,003	-11,548	-545



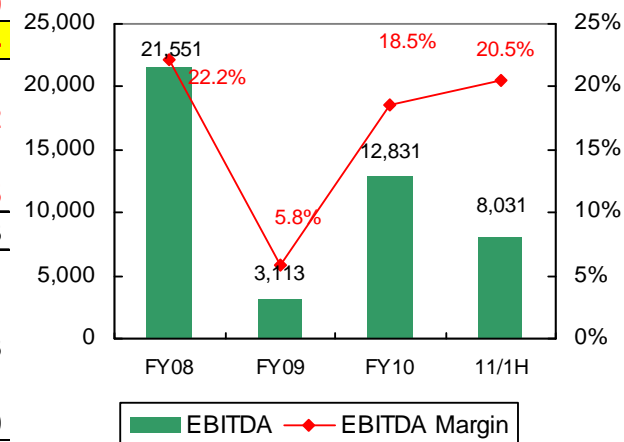
Cash flow overview

	FY08	FY09	FY10	10/1H	11/1H	Change
Income before taxes	10,204	-3,926	6,247	2,289	4,972	2,683
Depreciation	7,135	5,848	5,307	2,606	2,696	90
Loss (gain) on sales of securities	1,796	-0	-2	-2	0	2
Loss on valuation of securities	1,386	11	2	0	0	0
Change in A/R	-702	6,003	-4,521	-1,611	-674	937
Change in inventories	-1,497	888	3,091	2,612	-356	-2,968
Change in A/P	1,022	-2,775	1,792	723	479	-244
Other-net	147	-1,701	2,904	545	-816	-1,361
Income taxes paid	-8,838	-2,135	-1,191	-356	-1,471	-1,115
Income Taxes refunded	-	3,836	466	405	46	-359
Operating cash flow	10,653	6,049	14,095	7,211	4,876	-2,335
Capital expenditures	-6,455	-2,547	-3,568	-1,377	-4,128	-2,751
Purchase of subsidiaries' stock	-990	-146	-96	-45	-28	17
Purchase of securities	-3,034	-8	-10	-6	-3	3
Sales of securities	13,888	0	24	23	0	-23
Other-net	-1,731	-1,932	-1,872	-501	344	845
Investing cash flow	1,678	-4,633	-5,522	-1,906	-3,815	-1,909
Free cash flow	12,331	1,416	8,573	5,305	1,061	-4,244
Change in interest-bearing debt	-1,723	6,994	-13,752	-11,431	-2,160	9,271
Cash dividends paid	-2,502	-1,162	-674	-289	-761	-472
Purchase of treasury stock	-20	-172	-957	-0	-1	-1
Other-net	-253	-190	-179	-90	-375	-285
Financing cash flow	-4,500	5,470	-15,562	-11,812	-3,299	8,513
Foreign currency translation adjustments	-635	-626	-378	157	106	-51
Net increase(decrease) in cash	7,195	6,259	-7,367	-6,349	-2,131	4,218
Cash of newly consolidated subsidiaries, beginning of year	38	0	75	0	0	0
Cash, end of year	14,557	20,816	13,525	14,467	11,393	-3,074

CAPEX and depreciation



EBITDA



Forecast for FY2011

Financial forecast for FY2011

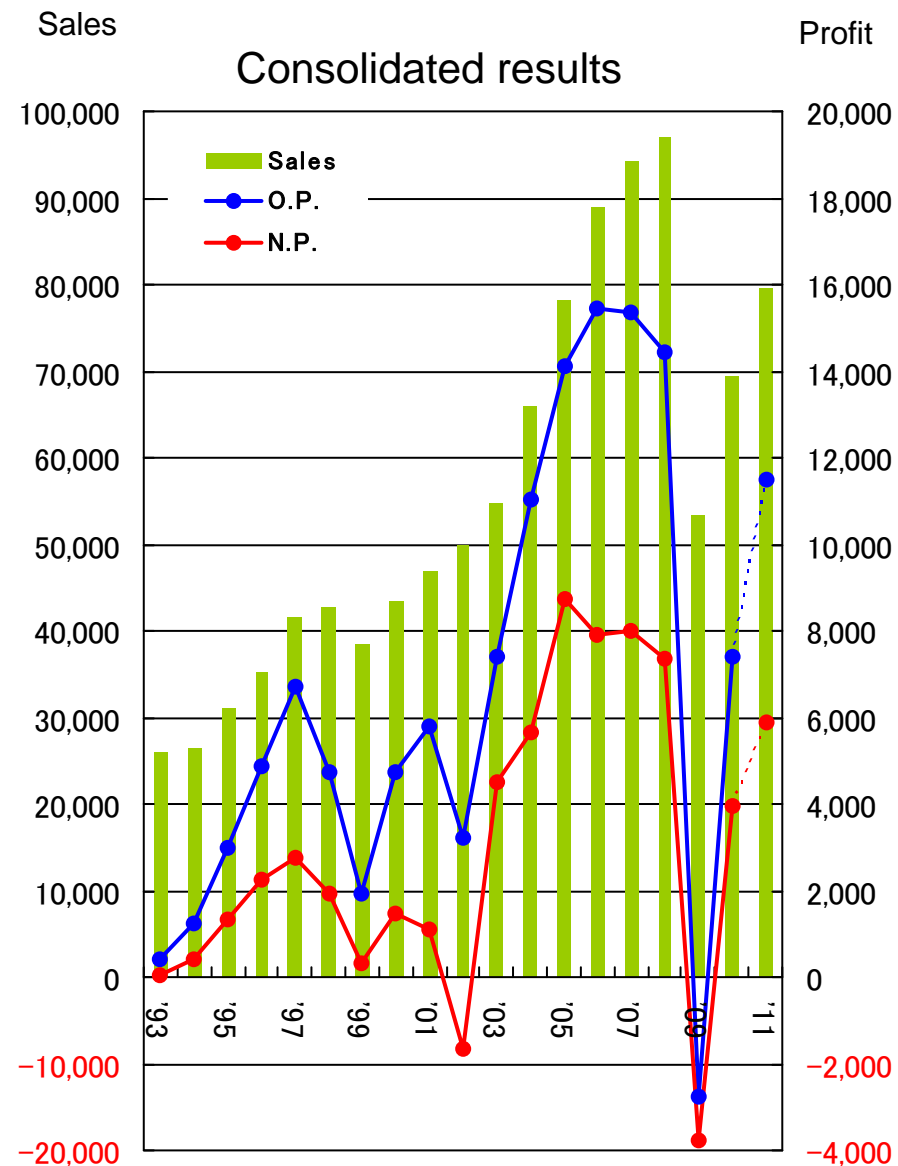
	Original forecast		Revised forecast	
	Amount	Growth	Amount	Growth
Net Sales	75,000	7.9%	79,500	14.4%
Operating profit as % of sales	10,000	32.9%	11,500	52.8%
Ordinary profit as % of sales	9,200	37.3%	10,900	62.7%
Net profit as % of sales	5,200	37.8%	5,900	56.4%
EPS (yen)	54.75		62.13	
CAPEX	5,600		6,900	
Depreciation	5,900		5,900	

Estimated sales growth
 Japan +14.3% The Americas +12.8% Europe +14.7% Asia+23.7%

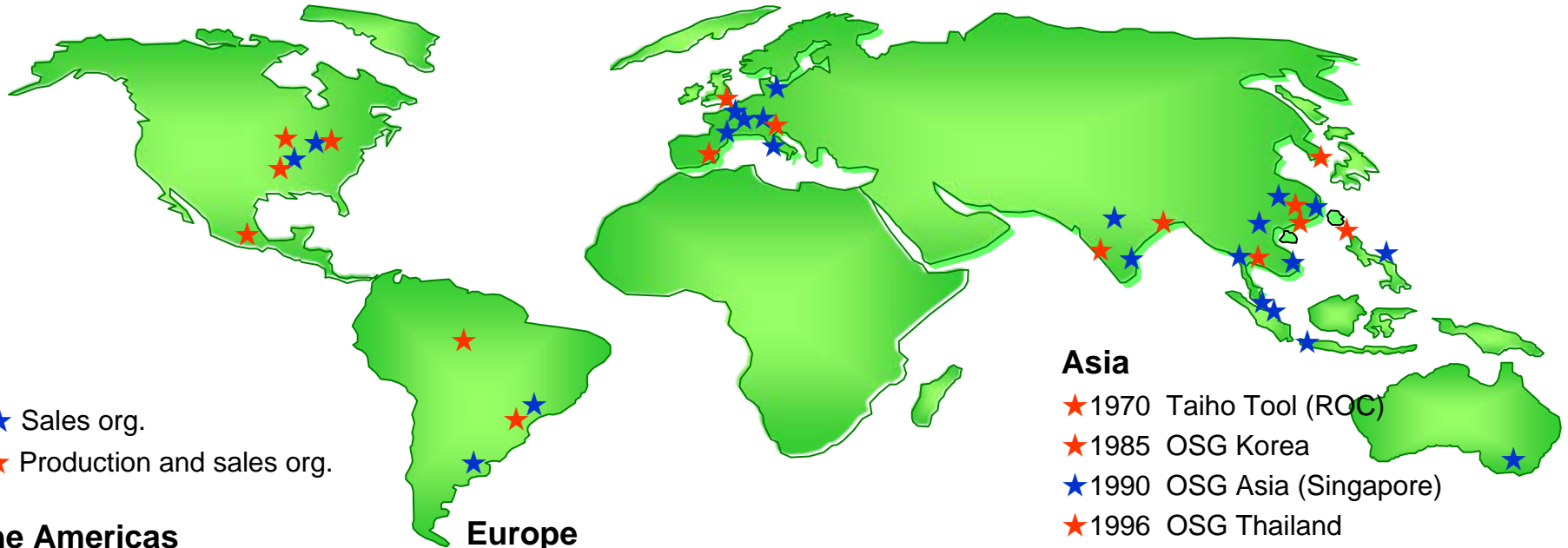
Exchange rate
 FY2011/1H result : 1US\$= 82.27yen 1Euro=112.08yen
 FY2011 forecast : 1US\$= 82.00yen 1Euro=114.00yen
 (original forecast: 1US\$= 83.00yen 1Euro=110.00yen)

Dividend forecast

	Interim	Year-end	Annual
Dividend per share (yen)	6.00	12.00	18.00



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)
- ★2004 Sterling Die., Inc. (USA)
- ★2005 Nas Precision (USA)
- ★2006 OFP Amazonia (Brazil)
- ★2007 OSG Correct Tool (Canada)
- ★2008 OSG Argentina

Europe

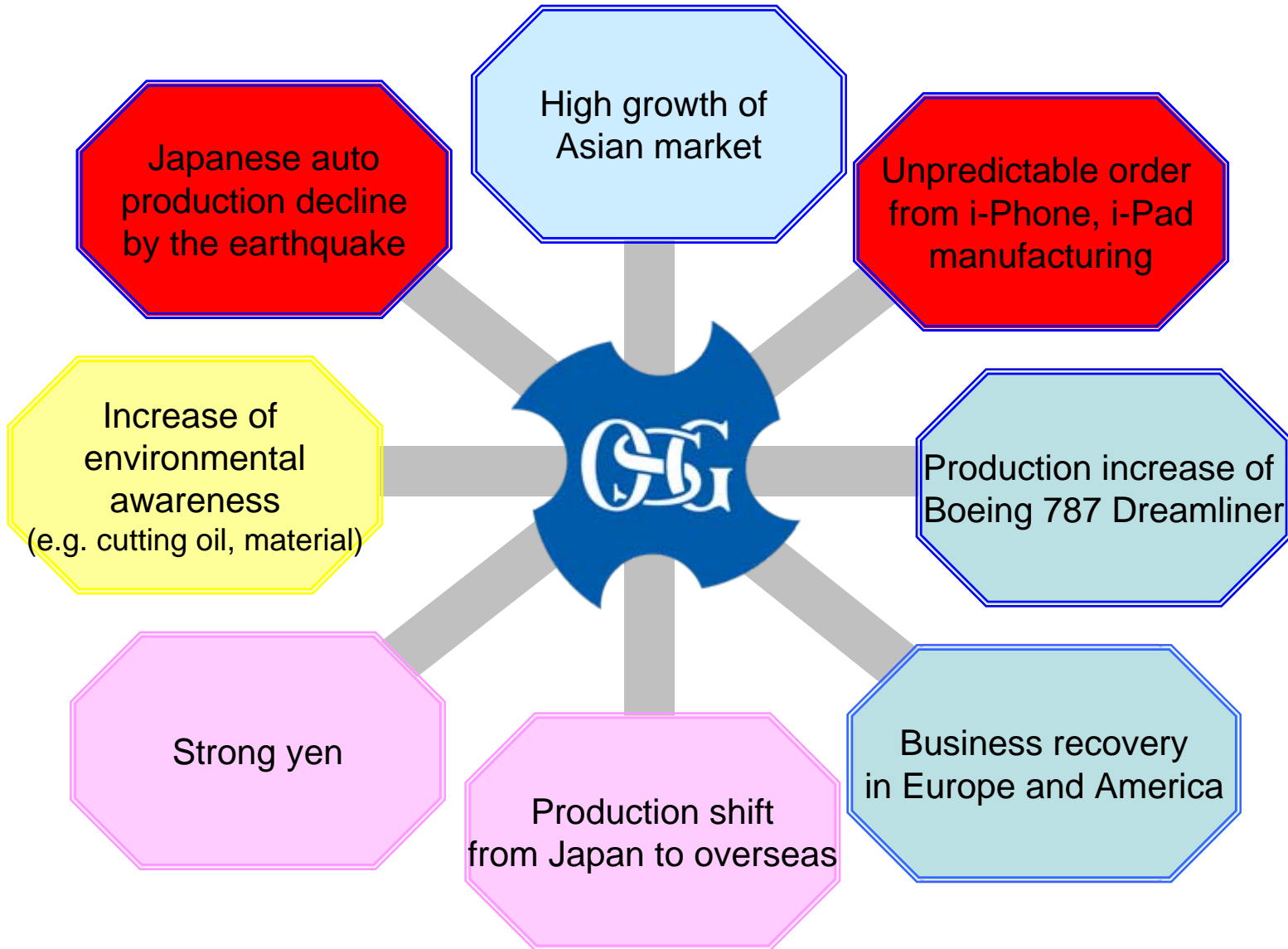
- ★1997 OSG Europe (Belgium)
- ★1997 OSG Belgium
- ★1997 OSG France
- ★1997 OSG MAC World (the Netherlands)
- ★1999 OSG UK
- ★2000 OSG Scandinavia (Denmark)
- ★2002 OSG Comaher (Spain)
- ★2003 OSG GmbH (Germany)
- ★2003 OSG Italia

*Quality Carbide Tool was merged into OSG Tap & Die in October, 2010.

FY2011-FY2013 Three-year Management Plan

The Next Stage 11

Business Environment



Management Vision

Long-term Vision

OSG aims at **the global top manufacturer of hole-making cutting tools** and offers total solution to customers.

Global top market share
in taps, end mills,
drills, and rolling dies

20% of operating
profit margin

Three-year Vision

OSG aims at **the key global player with 100 billion yen in sales** by expanding global business.

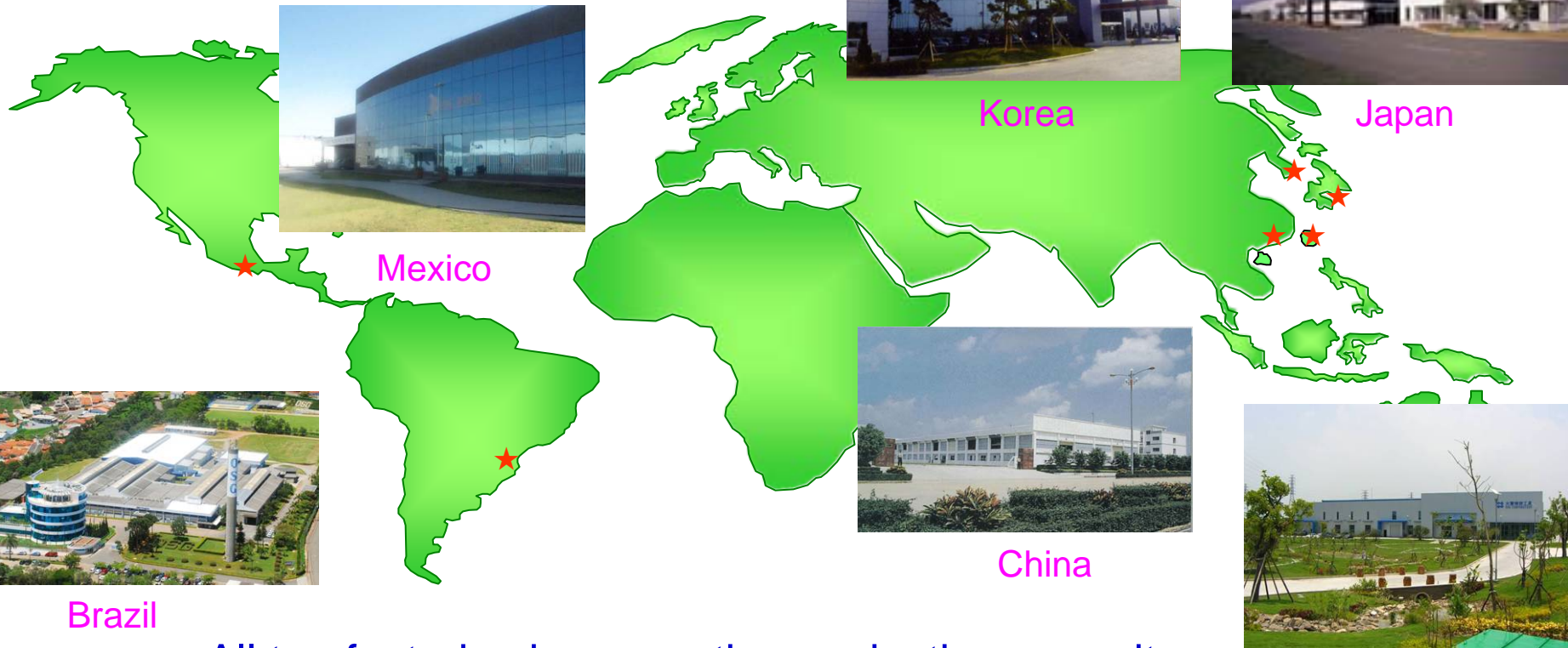
Business Strategy

Basic Strategy

By enhancing competitiveness of taps, OSG will generate profit stably and invest on growing products (carbide tools) and growing markets for accelerating future growth.

Basic Strategy

Enhancement of tap's competitiveness



All tap factories increase the production capacity.
 Targets are 2.75 million pieces per month by the end of this fiscal year and 3.30 million pieces by the end of FY2013.

Basic Strategy

Global Strategy of carbide drills



The factory in Shanghai is extended in order to produce carbide drills.

The extension work will finish in September, and production will start from the next fiscal year.

Basic Strategy

Sales expansion to aerospace industry



In Nagoya, July 10th

Appx.1 Consolidated balance sheet

	10/11E	11/05E	Change		10/11E	11/05E	Change
Current Assets	51,715	51,048	-667	Current Liabilities	22,975	21,152	-1,823
Cash & time deposits	16,314	13,764	-2,550	Payables	3,731	4,269	538
Receivables	15,359	16,268	909	Short-term borrowings	4,654	6,828	2,174
Inventories	16,970	17,498	528	LT borrowings, current portion	5,781	2,304	-3,477
Other	3,241	3,721	480	Income taxes payable	1,358	1,315	-43
Allowance for doubtful accounts	-169	-203	-34	Accrued expenses	5,086	4,708	-378
				Other	2,365	1,728	-637
Fixed Assets	53,919	55,194	1,275	Long-term Liabilities	19,497	18,990	-507
PP&E	40,245	42,083	1,838	Borrowings	16,882	16,180	-702
Intangible assets	3,632	3,224	-408	Liabilities for employees' retirement benefits	227	266	39
Investments & other	10,041	9,886	-155	Other	2,388	2,544	156
				Total Liabilities	42,473	40,143	-2,330
				Total Equity	63,162	66,100	2,938
Current ratio	225%	241%		Common stock	10,404	10,404	0
Quick ratio	138%	142%		Capital surplus	14,197	14,197	0
Equity capital	57,117	59,773	+2,656	Retained earnings	45,622	47,418	1,796
Equity ratio	54.1%	56.3%		Treasury stock	-4,827	-4,829	-2
Equity per share	601.44	629.41	+27.97	Unrealized gain on available-for-sale securities	577	980	403
Interest-bearing debt	27,317	25,312	-2,005	Deferred loss on derivatives under hedge accounting	-0	0	0
Net Cash	-11,003	-11,548	-545	Foreign currency translation adjustments	-8,854	-8,397	457
				Minority interests	6,044	6,326	282
Total	105,635	106,243	608	Total	105,635	106,243	608

Appx.2 Consolidated income statement

(Millions of yen)

	FY2011						FY2010		1H-1H	
	1Q		2Q		1H		1H			
		%		%		%		%		%
Net sales	18,793	100.0	20,429	100.0	39,222	100.0	31,956	100.0	7,266	+22.7
Cost of sales	11,912	63.4	11,940	58.4	23,852	60.8	21,254	66.5	2,598	+12.2
Gross profit	6,880	36.6	8,490	41.6	15,370	39.2	10,702	33.5	4,668	+43.6
SG&A expenses	4,944	26.3	5,091	24.9	10,035	25.6	8,170	25.6	1,865	+22.8
Operating profit	1,935	10.3	3,400	16.6	5,335	13.6	2,531	7.9	2,804	+110.7
Non-operating profit	163		146		309		419		-110	
Non-operating expenses	486		179		665		623		42	
Ordinary profit	1,612	8.6	3,367	16.5	4,979	12.7	2,327	7.3	2,652	+114.0
Extraordinary gain	7		28		35		46		-11	
Extraordinary loss	22		19		41		84		-43	
Profit before taxes	1,597	8.5	3,375	16.5	4,972	12.7	2,289	7.2	2,683	+117.2
Income taxes	724		1,174		1,898		601		1,297	
Minority interests	246		272		518		365		153	
Net profit	627	3.3	1,928	9.4	2,555	6.5	1,322	4.1	1,233	+93.3

Appx.3 Selected financial data (consolidated)

For the year:		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011/1H
Net sales	(mill.yen)	49,983	54,618	65,975	78,130	88,862	94,164	97,024	53,325	69,513	39,222
Sales growth	(%)	7%	9%	21%	18%	14%	6%	3%	-45%	30%	23%
Cost of sales	(mill.yen)	34,375	34,499	40,807	47,783	54,376	58,159	60,449	39,203	44,605	23,852
Gross profit	(mill.yen)	15,607	20,118	25,168	30,346	34,485	36,004	36,574	14,122	24,907	15,370
SG&A expenses	(mill.yen)	12,383	12,694	14,139	16,220	19,030	20,647	22,158	16,857	17,383	10,035
Operating income	(mill.yen)	3,224	7,424	11,029	14,125	15,455	15,356	14,416	-2,735	7,524	5,335
Ordinary income	(mill.yen)	2,465	6,704	10,529	13,887	14,940	14,570	13,505	-2,703	6,699	4,979
Net income	(mill.yen)	-1,678	4,510	5,647	8,758	7,917	8,013	7,376	-3,769	3,772	2,555
Margins:											
Gross profit margin	(%)	31.2%	36.8%	38.1%	38.8%	38.8%	38.2%	37.7%	26.5%	35.8%	39.2%
SG&A as % of sales	(%)	24.8%	23.2%	21.4%	20.8%	21.4%	21.9%	22.8%	31.6%	25.0%	25.6%
Operating income	(%)	6.4%	13.6%	16.7%	18.0%	17.4%	16.3%	14.9%	-5.1%	10.8%	13.6%
Ordinary income	(%)	4.9%	12.3%	16.0%	17.8%	16.8%	15.5%	13.9%	-5.1%	9.6%	12.7%
Net income	(%)	-3.4%	8.3%	8.6%	11.2%	8.9%	8.5%	7.6%	-7.1%	5.4%	6.5%
Total assets	(mill.yen)	74,429	73,886	81,150	93,598	122,451	127,044	122,383	113,382	105,635	106,243
Total shareholders' equity	(mill.yen)	35,025	37,028	40,464	54,647	60,081	64,295	64,251	55,931	57,117	59,773
Per share:											
Net income	(yen)	-17.25	46.92	60.32	89.10	81.00	82.42	76.53	-39.22	39.34	26.91
Cash dividends (interim)	(yen)	0.00	4.00	8.00	10.00	12.00	12.00	12.00	0.00	4.00	6.00
(year end)	(yen)	6.00	6.00	10.00	16.00	14.00	14.00	12.00	3.00	8.00	12.00(fcst)
Total shareholders' equity	(yen)	363.89	401.34	442.03	554.90	615.07	667.01	666.71	582.19	601.44	629.41
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
Key financial ratios:											
ROE	(%)	-4.6%	12.5%	14.6%	18.4%	13.8%	12.9%	11.5%	-6.3%	6.7%	4.4%
Equity ratio	(%)	47.1%	50.1%	49.9%	58.4%	49.1%	50.6%	52.5%	49.3%	54.1%	56.3%
Cash flow:											
Operating CF	(mill.yen)	6,968	9,239	11,585	7,820	9,546	16,733	10,653	6,049	14,095	4,876
Investing CF	(mill.yen)	-2,493	-2,519	-7,496	-7,200	-30,616	-9,019	1,678	-4,633	-5,522	-3,815
Financing CF	(mill.yen)	-2,850	-6,442	-2,870	-897	20,699	-6,821	-4,500	5,470	-15,562	-3,299
Cash flow margin	(%)	13.9%	16.9%	17.6%	10.0%	10.7%	17.8%	11.0%	11.3%	20.3%	12.4%