

April 9, 2015

## Consolidated Earnings Report for the Fiscal Year Ended February 28, 2015 (Japanese GAAP)

Company name: Star Micronics Co., Ltd.

Stock listing: First Section, Tokyo Stock Exchange

Code no.: 7718 URL <http://www.star-m.jp>

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Scheduled annual general meeting of shareholders: May 28, 2015 Scheduled payment of dividends: May 29, 2015

Scheduled release of fiscal 2015 business report: May 28, 2015

Preparation of supplementary explanatory materials for earnings report: Yes

Earnings presentation: Yes

(Figures less than one million are rounded down)

### 1. Consolidated Results for the Fiscal Year Ended February 28, 2015 (From March 1, 2014 to February 28, 2015)

#### (1) Consolidated Operating Results

(Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Year Ended February 28, 2015	50,957	17.2	5,476	110.1	6,150	91.1	4,695	310.7
Year Ended February 28, 2014	43,481	14.9	2,606	65.0	3,219	42.8	1,143	(50.3)

(Note) Comprehensive income

Year ended February 2015 ¥7,902 million (27.9 %) Year ended February 2014 ¥6,177 million (26.4 %)

	Net Income per Share	Diluted Net Income per Share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	(¥)	(¥)	%	%	%
Year Ended February 28, 2015	111.36	111.05	9.8	9.5	10.7
Year Ended February 28, 2014	27.17	27.14	2.7	5.8	6.0

Reference: Equity in earnings of affiliated companies

Year ended February 2015 ¥31 million Year ended February 2014 ¥28 million

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 28, 2015	70,260	51,902	72.4	1,205.10
As of February 28, 2014	59,302	45,697	75.5	1,063.52

Reference: Shareholders' Equity

As of February 28, 2015 ¥50,887 million As of February 28, 2014 ¥44,772 million

#### (3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Year-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year Ended February 28, 2015	4,326	(2,500)	(1,568)	15,313
Year Ended February 28, 2014	2,596	(2,455)	(1,394)	14,080

### 2. Dividends

	Dividends per Share					Dividends Total (Year)	Dividend Payout Ratio (Consolidated)	Dividend on Equity Ratio (Consolidated)
	1Q End	2Q End	3Q End	Year-End	Full Year			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
FY2014	-	17.00	-	17.00	34.00	1,430	125.1	3.4
FY2015	-	19.00	-	25.00	44.00	1,856	39.5	3.9
FY2016 (projected)	-	23.00	-	23.00	46.00		39.6	

3.Consolidated Outlook for the Fiscal Year Ending February 29, 2016 (From March 1, 2015 to February 29, 2016)

(Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Interim	25,800	12.9	2,600	12.7	2,700	7.9	2,200	4.0	52.10
Full Year	53,800	5.6	6,100	11.4	6,300	2.4	4,900	4.4	116.04

\*Notes

(1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation) : None

New company: — (Company name) Excluded company: — (Company name)

(2) Changes in accounting policies, estimates and restatement or corrections

(i) Changes associated with revised accounting standards: Yes

(ii) Changes other than those in (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(3) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at period-end (including treasury stock)

As of February 28, 2015	47,033,234 shares	As of February 28, 2014	47,033,234 shares
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(ii) Number of treasury stock at period-end

As of February 28, 2015	4,806,584 shares	As of February 28, 2014	4,934,661 shares
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(iii) Average number of outstanding shares

As of February 28, 2015	42,167,115 shares	As of February 28, 2014	42,082,978 shares
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(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Results for the Fiscal Year Ended February 28, 2015 (March 1, 2014 to February 28, 2015)

(1) Non-consolidated Operating Results

(Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Year Ended February 28, 2015	33,764	15.3	1,717	-	5,261	41.9	5,033	64.0
Year Ended February 28, 2014	29,294	7.2	(466)	-	3,706	65.6	3,068	22.7

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended February 28, 2015	119.36	119.03
Year Ended February 28, 2014	72.92	72.85

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 28, 2015	53,742	40,649	75.5	960.62
As of February 28, 2014	46,516	36,622	78.6	868.63

Reference: Shareholders' Equity

As of February 28, 2015 ¥40,563 million

As of February 28, 2014 ¥36,568 million

\*Disclosure regarding status of auditing procedure enactment

This earnings report is not subject to the auditing procedures stipulated by Japan's Financial Instruments and Exchange Act. Consequently, auditing procedures for financial statements based on the Financial Instruments and Exchange Act were not completed as of date of release of this report.

\*Regarding the appropriate use of earnings projections, and other special matters

The above projections are based on information available at the time of release of this report and certain assumptions the Company considers reasonable. The Company does not promise that these projections will be achieved. Actual results may differ materially from projections due to a variety of factors. For information regarding the assumptions and other matters related to earnings projections in this report, refer to "1. Analysis of Operating Results and Financial Position ( (ii) Outlook for Fiscal 2016)" under "(1) Analysis of Operating Results " page 3.

## **1. Analysis of Operating Results and Financial Position**

### **(1) Analysis of Operating Results**

#### **(i) Consolidated Results for the Year Ended February 28, 2015**

During the fiscal year ended February 28, 2015, the U.S. economy continued to see a broad-based economic recovery, mainly centered on firm consumer spending. Europe showed a trend toward gradual economic recovery, albeit with business conditions differing in each country. In Asia, the pace of growth slowed in Southeast Asia with the Chinese economy showing signs of a slowdown. In Japan, the economy tended to remain slow-moving, despite the continued pickup in demand from the fallback subsequent to the surge in demand that had occurred ahead of the consumption tax rise.

In the major markets in which the Star Micronics Group operates, levels of demand in the machine tools markets in Japan and overseas rose year on year. In the Special Products Segment, the POS-related markets experienced strong demand in mainly North America and Japan. In the markets related to precision products, there was strong demand in the wristwatch-related sector for both completed products and movements, and demand also increased mainly for the automotive-related sector.

The exchange rate during the fiscal 2015 reflected a depreciation of the yen against both the U.S. dollar and the euro compared with the previous fiscal year.

Amid this environment, the Star Micronics Group substantially increased sales in all businesses, primarily in machine tools. As a result of this, and with the impact of the weaker yen, Star Micronics reported consolidated net sales of ¥50,957 million, up 17.2% year on year, for the fiscal year ended February 28, 2015. Profits increased substantially, with operating income at ¥5,476 million, up 110.1% year on year, and ordinary income at ¥6,150 million, up 91.1% year on year. Net income increased 310.7% year on year to ¥4,695 million.

Performance by segment was as follows:

#### **(Special Products)**

In POS printers, sales increased significantly in all regions. In the U.S. and Japanese markets, sales centered on applications for payment systems using smartphones and tablets (mobile POS system) were strong. Sales also grew in the European market alongside the gradual economic recovery. In the Asian market, sales of dot-matrix printers increased in China.

As a result, sales and profits increased substantially with segment sales up 22.2% year on year to ¥11,555 million and operating income up 78.2% to ¥1,739 million.

#### **(Machine Tools)**

In CNC automatic lathes, sales in the European market increased sharply, reflecting solid sales amid a continuing recovery in orders, mainly in the automotive-related sector. However, sales in the U.S. market were at the same level year on year, primarily due to a lagging recovery in sales in the mainstay medical equipment-related sector. Sales increased substantially in the Asian market, with strong sales in the automobile-, communications-, and medical equipment-related sectors in mainly East Asia. Sales increased significantly in the Japanese market, reflecting strong sales primarily in the automobile-related sector.

As a result, sales and profits increased substantially with segment sales up 28.2% year on year to ¥34,578 million, and operating income up 50.1% to ¥5,398 million.

In this context, by June 2014 Star Micronics had put in place at the Thai factory an integrated production system ranging from parts machining to final assembly.

#### **(Precision Products)**

Sales of wristwatch components increased markedly due to strong sales to wristwatch makers. In non-wristwatch components, overseas sales were brisk for automotive-related components, for medical equipment-related components. Consequently overall sales in non-wristwatch components increased year on year.

As a result, sales and profits increased substantially, with segment sales up 24.0% year on year to ¥4,824 million, and operating income of ¥692 million, an increase of 394.2% year on year.

## **(ii) Outlook for Fiscal 2016**

The outlook for fiscal 2016, or the year ending February 29, 2016, is for the global economy to continue to grow gradually, despite partial lingering uncertainties due to the weaknesses that can be seen in some regions.

Under these circumstances, in consolidated business performance for the coming fiscal year, an increase in sales on orders from the Asian market is expected in the Machine Tools Segment, despite a projected decrease in the European market. Meanwhile, the Special Products Segment is expected to continue to show increased sales of mobile POS printers mainly in the European and North American markets. In the Precision Products Segment, sales of wristwatch components are forecast to be robust, and sales growth is expected for non-wristwatch components centered on components for automobiles.

As a result, the Group is forecasting net sales of ¥53,800 million, an increase of 5.6% year on year. On the earnings front, the Group forecasts operating income of ¥6,100 million, an increase of 11.4% year on year, mainly due to the increase in net sales, and ordinary income of ¥6,300 million, up 2.4% year on year. Net income is projected to increase 4.4% year on year to ¥4,900 million. We are projecting sales and earnings to increase for the second consecutive term.

These projections assume a foreign exchange rate of ¥115 to \$1, and ¥130 to 1 euro.

## **(2) Analysis of Financial Position**

### **(i) Total Assets, Total Liabilities and Net Assets**

Total assets as of February 28, 2015 amounted to ¥70,260 million, up ¥10,958 million from February 28, 2014. This was primarily due to increases in inventories and trade notes and accounts receivable. Total liabilities were ¥18,358 million, an increase of ¥4,753 million from the end of the previous fiscal year, primarily due to an increase in trade notes and accounts payable. Net assets amounted to ¥51,902 million, an increase of ¥6,204 million from the end of the previous fiscal year, due to an increase in retained earnings and an improvement in foreign currency translation adjustment.

### **ii) Cash Flows**

Cash and cash equivalents as of February 28, 2015 were ¥15,313 million, up ¥1,232 million from February 28, 2014. This was the result of ¥4,326 million in net cash provided by operating activities, offset by ¥2,500 million and ¥1,568 million in net cash used in investing and financing activities, respectively, and a translation adjustment on cash and cash equivalents.

#### **(Operating Activities)**

During the year ended February 28, 2015, operating activities provided net cash of ¥4,326 million, up from ¥2,596 million provided in the previous fiscal year. The main contributing factors were increases in income before income taxes and minority interests, and depreciation and amortization, despite an increase in inventories.

#### **(Investing Activities)**

Investing activities used net cash of ¥2,500 million, up from ¥2,455 million used in the year before, mainly to purchase property, plant and equipment.

#### **(Financing Activities)**

Financing activities used net cash of ¥1,568 million, up from ¥1,394 million used in the previous fiscal year, mainly to pay dividends to shareholders.

(Trends in Cash Flow Related Indices)

	FY2 2011	FY2 2012	FY2 2013	FY2 2014	FY2 2015
Equity Ratio (%)	73.9	70.2	76.1	75.5	72.4
Market Value Basis Equity Ratio (%)	81.3	65.3	75.5	83.6	93.2
Debt / Cash Flow Ratio(Years)	0.6	0.4	4.1	0.8	0.5
Interest Coverage Ratio(Times)	240.7	373.9	35.9	164.1	267.6

- (Note)
- 1 Equity Ratio : Shareholders Equity / Total Assets
  - 2 Market Value Basis Equity Ratio : Market Capitalization/ Total Assets
  - 3 Debt / Cash Flow Ratio : Debt/ Cash Flows
  - 4 Interest Coverage Ratio : Cash Flows/Interest Payments

\*Calculation based on the consolidated basis financial figures.

\*Market capitalization is calculated by multiplying the closing price as of the end of the fiscal year by the total number of shares issued and outstanding (excluding treasury stock).

\*“Cash flow” uses the net cash provided by operating activities from the consolidated cash flow statement. “Interest-bearing liabilities” comprises all the liabilities recorded on the consolidated balance sheet for which interest must be paid. “Interest payments” uses the amount of interest paid from the consolidated cash flow statement.

### (3) Basic Dividend Policy and Dividends for This Fiscal Year and the Next Fiscal Year

The Company emphasizes shareholder returns in distributing profits, and will institute such returns in close consideration of dividend on equity (DOE), targeting a dividend payout ratio of at least 40%.

In accordance with this policy, Star Micronics plans to increase its year-end dividend to ¥25 per share, by ¥8 per share from the previous fiscal year. Consequently, the annual dividend—including a ¥19 interim dividend—will be ¥44 per share for the year ended February 28, 2015. Furthermore, the Company has budgeted a ¥2 increase in the annual dividend to ¥46 per share, or an interim and year-end dividend of ¥23 each, for the year ending February 29, 2016.

Retained earnings will be used to invest in growth businesses with the aim of sustaining the Company’s growth, enhancing corporate value and improving shareholder returns.