

June 30, 2015

## Fiscal 2016 First-quarter Consolidated Earnings Report (Japanese GAAP)

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange

Code: 7718 URL <http://www.star-m.jp>

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Scheduled release of Fiscal 2016 First-quarter Business Report: July 14, 2015

Scheduled payment of dividends: -

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: None

(Figures less than one million are rounded down)

### 1. Results for the First Quarter of Fiscal 2016 (March 1, 2015 to May 31, 2015)

(1) Consolidated Operating Results (Percentages represent changes over the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
FY2016 First Quarter	12,335	18.2	1,200	49.3	911	7.9	797	21.7
FY2015 First Quarter	10,438	24.7	803	—	844	214.5	655	470.0

(Note) Comprehensive income FY2016 First Quarter ¥454 million ( 676.8% ) FY2015 First Quarter ¥58 million ( 97.1% )

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY2016 First Quarter	18.89	18.82
FY2015 First Quarter	15.56	15.54

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of May 31, 2015	69,007	49,855	70.7
As of February 28, 2015	70,260	51,902	72.4

Reference: Shareholders' Equity

As of May 31, 2015 ¥48,802 million As of February 28, 2015 ¥50,887 million

### 2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2015	—	19.00	—	25.00	44.00
FY2016	—				
FY2016(projected)		23.00	—	23.00	46.00

(Note) Changes to the latest dividend forecast announced: None

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

(Percentages represent changes over the corresponding period of 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

(Note) Changes to the latest consolidated results forecast announced: None

\*Note

- (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) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements: None
- (3) 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

- (4) Number of shares issued and outstanding (common stock)

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

As of May 31, 2015	47,033,234 shares	As of February 28, 2015	47,033,234 shares
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- (ii) Number of treasury stock at period-end

As of May 31, 2015	4,767,304 shares	As of February 28, 2015	4,806,584 shares
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- (iii) Average number of outstanding shares (during the three months ended May 31)

As of May 31, 2015	42,246,110 shares	As of May 31, 2014	42,117,573 shares
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\* Disclosure regarding progress of quarterly review procedures

This quarterly earnings report is not subject to quarterly reviews stipulated in the Financial Instruments and Exchange Act of Japan. As of the time this report was released, the Company has not completed review procedures for the quarterly consolidated financial statements based on the Financial Instruments and Exchange Act.

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

The above projections are based on information available at the time of release of this report and certain assumptions the Company considers reasonable. 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 "(3) Explanation Concerning the Consolidated Earnings Projections and Other Forecasts" under "1. Qualitative Financial Information" on page 4.

## **1. Qualitative Financial Information**

### **(1) Qualitative Information Related to Consolidated Operating Results**

Looking at economic conditions during the first quarter, the three-month period from March 1, 2015 to May 31, 2015, of fiscal 2016, the fiscal year ending February 29, 2016, there were signs that such factors as adverse weather conditions were affecting the U.S. economy amid its steady recovery trend. While Europe continued to experience a modest positive turnaround, in Asia the rates of economic growth in China and Southeast Asia slowed. On the domestic front, Japan enjoyed a prolonged moderate recovery on the back of an improvement in corporate-sector earnings and other factors.

In the major markets in which the Star Micronics Group operates, levels of demand in the machine tools market in Japan and overseas were robust. In the Special Products Segment, the POS-related markets experienced weak demand in the U.S. and Europe. In the markets related to precision products, there was strong demand for wristwatch as well as medical equipment-related components.

The exchange rate during the first quarter of fiscal 2016 reflected a depreciation of the yen against the U.S. dollar and an appreciation of the yen against the euro compared with the corresponding period of the previous fiscal year.

Amid this environment, the Star Micronics Group reported an increase in sales led mainly by growth in the Machine Tools Segment. Taking into account the added favorable effects of depreciation in the value of the yen, consolidated net sales climbed 18.2% compared with the corresponding period of the previous fiscal year to ¥12,335 million. From a profit perspective, operating income came to ¥1,200 million, an increase of 49.3% year on year. Despite the incidence of a foreign exchange loss totaling ¥381 million recorded as a non-operating expense, ordinary income improved 7.9% compared with the corresponding period of the previous fiscal year to ¥911 million and net income amounted to ¥797 million, up 21.7% year on year.

Performance by segment was as follows:

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

In POS printers, sales increased. Despite the negative impacts of inventory adjustments by sales agents in the U.S. market and a slowdown in the pace of market recovery in Europe, this increase was largely attributable to depreciation in the value of the yen. In the Asian market, sales declined due mainly to the sluggish performance of thermal printers in China. Owing to such factors as the absence of large-scale orders, sales in the domestic Japanese market also declined.

Accounting for each of these factors, sales in the Special Products Segment increased 2.7% compared with the corresponding period of the previous fiscal year to ¥2,766 million. Operating income, on the other hand, declined 21.3% year on year to ¥370 million as a result of the incidence of new business development and other expenses.

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

In CNC automatic lathes, sales to the medical equipment-related sector in the U.S. were firm. Overall sales increased on the back of other favorable factors including robust results in the automotive- and other related sectors in Europe. Sales increased substantially in the Asian market. This was largely attributable to strong sales in the automobile, communications-, and medical equipment-related sectors in mainly East Asia. Despite sound market conditions spearheaded by the automobile-related sector, sales declined in the Japanese market. This primarily reflected the impact of delays in receiving approvals for energy efficient equipment installation subsidies.

As a result, sales and profits increased substantially in the Machine Tools Segment. In specific terms, sales climbed 24.6% compared with the corresponding period of the previous fiscal year to ¥8,289 million and operating income jumped 55.5% year on year to ¥127 million.

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

Sales of wristwatch components increased markedly due to strong sales to wristwatch makers. In addition to the positive effects of depreciation in the value of the yen, sales of non-wristwatch components also increased owing primarily to robust sales of medical equipment-related components.

As a result, sales and profits increased substantially in the Precision Products Segment. Sales grew 17.0% compared with the corresponding period of the previous fiscal year to ¥1,278 million and operating profit improved 39.1% year on year to ¥194 million.

**(2) Explanation Concerning Financial Position**

Total assets as of the end of the first quarter of the fiscal year under review stood at ¥69,007 million, a decrease of ¥1,253 million. Despite an increase in inventories, this was mainly attributable to a drop in the balances of such assets accounting line items as cash and deposits and trade receivables.

Total liabilities came in at ¥19,152 million, an increase of ¥794 million compared with previous fiscal year-end. Despite the decline in such items as trade payables, this increase in total liabilitiesThis was largely due to thean increase in the net defined benefit liability associated with the application of the accounting standard for retirement benefits.

Total net assets declined ¥2,047 million year on year to ¥49,855 million. This mainly reflected the drop in the balance of retained earnings in line with the application of the accounting standard for retirement benefits.

**(3) Explanation Concerning the Consolidated Earnings Projections and Other Forecasts**

Earnings projections have been left unchanged from the projections announced on April 9, 2015.