

**Consolidated Earnings Report for the Fiscal Year Ended December 31, 2018 (Japanese GAAP)**

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange  
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Scheduled annual general meeting of shareholders: March 28, 2019 Scheduled payment of dividends: March 29, 2019  
Scheduled release of FY12/2018 business report: March 28, 2019  
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 December 31, 2018 (From March 1, 2018 to December 31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Year Ended December 31, 2018	65,939	—	9,712	—	9,570	—	6,795	—
Year Ended February 28, 2018	60,772	24.2	6,210	72.2	7,015	95.8	5,780	81.7

(Note) Comprehensive income

Year Ended December 31, 2018 ¥5,534 million [—%] Year Ended February 28, 2018 ¥6,526 million [249.9 %]

	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 December 31, 2018	186.04	163.42	14.3	12.2	14.7
Year Ended February 28, 2018	155.68	136.90	12.9	9.6	10.2

Reference: Equity in earnings of affiliated companies

Year Ended December 31, 2018 ¥0 million Year Ended February 28, 2018 ¥8 million

Taking into consideration the fact that the fiscal period ended December 31, 2018 represents a transitional period, the consolidated fiscal period is based on and presented for the 10-month period from March 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose account settlement date is February 28, and for the 12-month period from January 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose account settlement date is December 31. Due to this method of presentation, year-on-year percentage change data is not provided.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2018	79,937	49,311	60.3	1,345.08
As of February 28, 2018	77,362	47,446	60.1	1,263.15

Reference: Shareholders' Equity

As of December 31, 2018 ¥48,237 million As of February 28, 2018 ¥46,521 million

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Year-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year Ended December 31, 2018	6,089	(2,949)	(3,766)	20,852
Year Ended February 28, 2018	8,923	(5,012)	(2,925)	21,957

2. Dividends

	Dividends per Share					Dividends Total (Total)	Dividend Payout Ratio (Consolidated)	Dividend on Equity Ratio (Consolidated)
	1Q End	2Q End	3Q End	Year-End	Full Year			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
FY2/2018	—	25.00	—	27.00	52.00	1,922	33.4	4.3
FY12/2018	—	27.00	—	27.00	54.00	1,950	29.0	4.1
Year Ended December 31, 2019 (Projected)	—	28.00	—	28.00	56.00		31.8	

3.Consolidated Outlook for the Fiscal Year Ending December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Interim term	32,800	—	4,300	—	4,400	—	3,100	—	86.44
Full Year	66,200	—	8,800	—	9,000	—	6,300	—	175.98

Taking into consideration the fact that the fiscal period ended December 31, 2018 represents a transitional period, the consolidated fiscal period is based on and presented for the 10-month period from March 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose account settlement date is February 28, and for the 12-month period from January 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose account settlement date is December 31. Due to this method of presentation, quarterly year-on-year percentage change data is not provided.

\*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) Changes in accounting policies, estimates and restatement or corrections

(i) Changes associated with revised accounting standards: None

(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 December 31, 2018	45,772,234 shares	As of February 28, 2018	46,774,634 shares
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(ii) Number of treasury stock at period-end

As of December 31, 2018	9,910,156 shares	As of February 28, 2018	9,944,576 shares
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(iii) Average number of outstanding shares

As of December 31, 2018	36,524,832 shares	As of February 28, 2018	37,131,487 shares
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(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Results for the Fiscal Year Ended December 31, 2018 (March 1, 2018 to December 31, 2018)

(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 December 31, 2018	35,415	—	2,927	—	3,682	—	2,709	—
Year Ended February 28, 2018	38,375	22.5	2,430	142.0	3,846	25.7	3,671	23.5

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended December 31, 2018	74.18	64.86
Year Ended February 28, 2018	98.87	86.74

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2018	61,318	35,628	57.6	984.72
As of February 28, 2018	60,042	36,661	60.6	988.62

Reference: Shareholders' Equity

As of December 31, 2018 ¥35,314 million As of February 28, 2018 ¥36,411 million

\* This earnings report is not included in the scope of the audit or the certified public accountant.

\* 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 " (4) Future Outlook under 1. Overview of Operating Results and Financial Position " page 3.

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

Taking into consideration the fact that the fiscal period ended December 31, 2018 represents a transitional period, the consolidated fiscal period is based on and presented for the 10-month period from March 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose account settlement date is February 28, and for the 12-month period from January 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose account settlement date is December 31. Due to this method of presentation, year-on-year percentage change data is not provided.

### **(1) Overview of Operating Results for the Year Ended December 31, 2018**

Looking at economic conditions throughout the fiscal period under review, the U.S. continued to enjoy a steady recovery while Europe also experienced a modest positive turnaround. In Asia, economic trends were firm overall. This was despite signs that the pickup in China had stalled. On the domestic front, the Japanese economy witnessed a gentle pickup.

In the major markets in which the Star Micronics Group operates, there was strong demand for machine tools in Japan and overseas, while demand in the POS-related market in the Special Products Segment was also solid mainly in the U.S. and European markets. As far as the precision products-related markets were concerned, demand was firm for wristwatch components. For non-wristwatch components, however, demand was weak for certain components for hard disk drives (HDDs) and other products.

Under these circumstances, the Star Micronics Group reported net sales of ¥65,939 million for the fiscal period under review. This was largely due to record high sales of machine tools. From a profit perspective, operating income came to ¥9,712 million, ordinary income was ¥9,570 million, and net income attributable to owners of parent amounted to ¥6,795 million after posting business restructuring expenses related to the Precision Products Segment.

Performance by segment was as follows:

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

In POS printers, sales were solid in the U.S. market. Sales were also strong in the European market on the back of robust sales trends mainly in leading industrial markets. In the Asian market, sales were sluggish. This included a drop in demand in China. The overall domestic market remained solid, but large project demand was weak.

As a result, sales in the Special Products Segment came to ¥12,651 million and operating income was ¥2,265 million.

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

In CNC automatic lathes, sales remained solid in the U.S. market centered on the medical equipment-related sector. In the European market, sales were strong centered on the automotive-related sector in major markets such as Germany and Italy. Turning to the Asian market, sales were also robust in the automobiles, telecommunications, and medicine-related markets in China. Moreover, sales were strong across a wide array of sectors including those related to automobiles in Japan.

As a result, the Machine Tools Segment reported sales of ¥49,337 million and operating income of ¥9,389 million.

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

Sales of wristwatch components remained solid owing to strong sales by wristwatch makers in the first half. Sales of non-wristwatch components were sluggish amid HDD component market shrinkage, but sales for air conditioning and medical-related components were strong.

As a result, the Precision Products Segment posted sales of ¥3,950 million operating income of ¥322 million.

Meanwhile, steps were taken to sell STAR MICRONICS PRECISION (THAILAND) CO., LTD., a manufacturing subsidiary, at the end of September last year as a part of the Company's review of its production structure and systems.

### **(2) Overview of Financial Position for the Year Ended December 31, 2018**

Total assets as of the end of the fiscal period under review stood at ¥79,937 million, an increase of ¥2,574 million compared with the end of the previous fiscal year. Despite a decline in such accounting line items as cash and deposits, this increase in total assets was primarily attributable to increases in trade receivables as well as property, plant and equipment.

Total liabilities came in at ¥30,625 million, up ¥709 million compared with the end of the previous fiscal year. This largely reflected increases in net defined benefit liability and other current liabilities.

Total net assets increased ¥1,864 million compared with the end of the previous fiscal year, to ¥49,311 million. While impacted by foreign currency translation adjustments as well as the purchase of treasury stock, the increase in total net assets mainly reflected the upswing in retained earnings.

### (3) Overview of Cash Flows for the Year Ended December 31, 2018

Cash and cash equivalents as of the end of the fiscal period under review were ¥20,852 million, a decrease of ¥1,104 million compared with the previous fiscal year-end. This was the result of net cash provided by operating activities of ¥6,089 million, partially offset by net cash used in investing and financing activities of ¥2,949 million and ¥3,766 million, respectively, and the addition of a translation adjustment on cash and cash equivalents.

#### (Operating Activities)

Net cash provided by operating activities totaled ¥6,089 million. The principal cash inflows were income before income taxes and depreciation and amortization. The major cash outflows reflected the increase in trade receivables as well as income taxes paid.

#### (Investing Activities)

Net cash used in investing activities came to ¥2,949 million. The principal cash outflow was for purchases of property, plant and equipment.

#### (Financing Activities)

Net cash used in financing activities totaled ¥3,766 million. In the fiscal period under review, the major cash outflows included cash dividends paid and payments for purchase of treasury stock.

#### (Reference) Trends in Cash Flow Related Indices

	FY2 2015	FY2 2016	FY2 2017	FY2 2018	FY12 2018
Equity Ratio (%)	72.4	72.7	62.8	60.1	60.3
Market Value Basis Equity Ratio (%)	93.2	74.4	89.1	105.4	66.9
Debt / Cash Flow Ratio(Years)	0.5	0.6	0.5	0.3	0.4
Interest Coverage Ratio(Times)	267.6	281.0	713.1	-	949.9

Equity Ratio : Shareholders Equity / Total Assets  
Market Value Basis Equity Ratio : Market Capitalization/ Total Assets  
Debt / Cash Flow Ratio : Debt/ Cash Flows  
Interest Coverage Ratio : Cash Flows/Interest Payments

#### (Note)

- 1 Calculation based on the consolidated basis financial figures.
- 2 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).
- 3 "Cash flow" uses the net cash provided by operating activities.
- 4 "Interest-bearing liabilities" comprises all the liabilities recorded on the consolidated balance sheet for which interest must be paid.
- 5 Interest coverage ratio data has been omitted for the fiscal year ended February 28, 2018 because the amount of interest paid is insignificant.

### (4) Future Outlook

While the global economy as a whole is projected to experience a period of ongoing modest recovery, conditions are expected to remain uncertain in the future. This uncertainty is due to the difficulty in predicting operating conditions as a result of various issues including trade friction between the U.S. and China as well as problems associated with the U.K.'s withdrawal from the European Union and the impact of these issues going forward.

Under these circumstances, and in the context of the Company's consolidated business performance for the coming fiscal year, the mainstay Machine Tools Segment is projected to confront a mixed operating environment. While there are concerns regarding the impact of a slowdown in economic conditions, demand is expected on the back of ongoing automation needs both in Japan and overseas. Turning to the Special Products Segment, trends are anticipated to remain firm, spearheaded by a pickup in demand in Japan in the leadup to the consumption tax rate hike. In the Precision Products Segment, where the Group is undertaking various measures including the reorganization of production bases, trends in both wristwatch and non-wristwatch components are projected to be sluggish.

In this business environment, we expect net sales of ¥66,200 million, operating income of ¥8,800 million, ordinary income of ¥9,000 million and net income attributable to owners of parent of ¥6,300 million in next fiscal year.

Forecasts are based on the assumptions that the yen/US dollar exchange rate will be JPY105 and the yen/Euro exchange rate will be JPY125.

**(5) Basic Dividend Policy and Dividends for This Fiscal Year and the Next Fiscal Year**

Star Micronics positions the return and distribution of profits to shareholders as an important management priority. The Company intends to implement this basic policy while taking into consideration dividend on equity (DOE) and a target total payout ratio of at least 50% including the repurchase of own shares.

In accordance with this policy, the Company plans to set its fiscal period-end dividend at ¥27 per share. Consequently, the annual dividend, including a ¥27 per share interim dividend, for the fiscal period ended December 31, 2018 will be ¥54 per share, a ¥2 per share increase compared with the end of the previous fiscal year. Turning to the payment of dividends for the next fiscal year, Star Micronics is looking to pay an interim and period-end dividend of ¥28 per share for the fiscal year ending December 31, 2019 for an annual dividend of ¥56 per share, a ¥2 per share increase compared with the fiscal period under review.

As far as the Company's internal reserves are concerned, Star Micronics is committed to enhancing its corporate value while increasing shareholders' profits. At the same time, the Company will look to engage in a variety of activities including investment in future growth fields in a bid to ensure its sustainable growth.

**2. Basic Policy regarding the Selection of Accounting Standards**

Taking into consideration comparability of consolidated financial statements between periods and between companies, the policy of the Star Micronics Group is to prepare consolidated financial statements according to Japanese accounting standards for the foreseeable future.

We will address the application of International Financial Reporting Standards as appropriate, taking into account conditions in Japan and other countries.

### 3. Consolidated Financial Statements and Major Notes

#### (1) Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of February 28, 2018	As of December 31, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	22,072,044	20,879,679
Trade notes and accounts receivable	16,955,708	18,756,178
Securities	1,000,000	500,000
Merchandise and finished goods	10,239,928	10,047,819
Work in process	4,250,464	4,539,076
Raw materials and supplies	2,638,195	3,195,901
Deferred tax assets	663,986	462,058
Other	1,958,947	2,137,540
Allowance for doubtful accounts	(144,844)	(141,988)
Total current assets	59,634,430	60,376,264
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,998,042	17,764,641
Accumulated depreciation	(11,057,140)	(9,395,486)
Buildings and structures, net	4,940,901	8,369,154
Machinery, equipment and vehicles, net	15,237,961	14,457,299
Accumulated depreciation	(12,488,302)	(11,359,070)
Machinery, equipment and vehicles, net	2,749,658	3,098,228
Tools, furniture and fixtures, net	8,230,170	8,674,247
Accumulated depreciation	(7,342,757)	(7,258,634)
Tools, furniture and fixtures, net	887,413	1,415,613
Land	2,747,404	2,553,740
Lease assets, net	152,462	149,898
Accumulated depreciation	(77,208)	(88,697)
Lease assets, net	75,253	61,201
Construction in progress	2,675,595	23,093
Total property, plant and equipment	14,076,227	15,521,032
Intangible assets		
Other	917,697	867,450
Total intangible assets	917,697	867,450
Investments and other assets		
Investment securities	1,463,817	1,782,548
Deferred tax assets	906,975	1,030,875
Other	363,853	359,458
Allowance for doubtful accounts	(17)	—
Total investments and other assets	2,734,628	3,172,881
Total Non-current assets	17,728,553	19,561,364
Total assets	77,362,984	79,937,629

(Unit: Thousands of yen)

	As of February 28, 2018	As of December 31, 2018
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	6,928,315	6,921,278
Electronically recorded obligations-operating	3,383,790	3,510,823
Short-term loans payable	2,500,000	2,500,000
Lease obligations	28,277	24,391
Income taxes payable	842,462	820,964
Provision for bonuses	1,069,894	977,117
Other	5,466,664	5,940,087
Total current liabilities	20,219,403	20,694,662
Non-current liabilities		
Convertible bonds	8,052,000	8,038,666
Lease obligations	52,923	41,384
Net defined benefit liability	1,433,209	1,751,800
Other	158,704	99,407
Total non-current liabilities	9,696,837	9,931,259
Total liabilities	29,916,241	30,625,921
Net assets		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	13,876,517	13,876,517
Retained earnings	32,845,575	36,461,396
Treasury stock	(11,519,292)	(12,067,694)
Total shareholders' equity	47,924,738	50,992,158
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	165,067	86,599
Foreign currency translation adjustments	(1,185,575)	(2,300,978)
Remeasurements of defined benefit plans	(382,271)	(540,349)
Total accumulated other comprehensive income	(1,402,779)	(2,754,727)
Stock acquisition rights	250,509	314,527
Noncontrolling interests	674,274	759,749
Total net assets	47,446,743	49,311,707
Total liabilities and net assets	77,362,984	79,937,629



**(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**  
(Consolidated Statement of Income)

(Unit: Thousands of yen)

	<b>As of February 28, 2018</b> <b>(From March 1, 2017 to</b> <b>February 28, 2018)</b>	<b>As of December 31, 2018</b> <b>(From March 1, 2018 to</b> <b>December 31, 2018)</b>
Net sales	60,772,703	65,939,662
Cost of sales	38,510,512	40,477,733
Gross profit	22,262,191	25,461,929
Selling, general and administrative expenses	16,052,057	15,749,439
Operating income	6,210,134	9,712,489
Non-operating income		
Interest income	157,810	174,572
Dividend income	8,870	11,939
Foreign exchange gains	529,723	—
Rent income	55,019	47,399
Electricity sales income	14,962	13,104
Miscellaneous income	95,840	82,198
Total non-operating income	862,228	329,214
Non-operating expenses		
Interest expense	3,484	6,779
Loss on valuation of investment securities	35,535	108,160
Foreign exchange loss-net	—	336,651
Cost of lease revenue	3,839	3,088
Electricity sales expense	10,630	7,813
Miscellaneous loss	2,944	8,401
Total non-operating expenses	56,434	470,894
Ordinary income	7,015,928	9,570,809
Extraordinary income		
Gain on sales of non-current assets	33,474	5,667
Gain on sale of shares of subsidiaries and associates	—	148,941
Total extraordinary income	33,474	154,608
Extraordinary losses		
Loss on disposal of non-current assets	48,450	121,970
Impairment loss	641,595	173,478
Business restructuring expenses	—	684,314
Other	—	62,788
Total extraordinary losses	690,045	1,042,551
Income before income taxes	6,359,357	8,682,866
Income taxes-current	1,656,435	1,599,156
Income taxes-deferred	(1,169,285)	164,322
Total income taxes	487,150	1,763,478
Net income	5,872,207	6,919,387
Net income attributable to noncontrolling interests	91,616	124,135
Net income attributable to owners of the parent	5,780,590	6,795,251

## (Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	<b>As of February 28, 2018 (From March 1, 2017 to February 28, 2018)</b>	<b>As of December 31, 2018 (From March 1, 2018 to December 31, 2018)</b>
Net income	5,872,207	6,919,387
Other comprehensive income		
Valuation difference on available-for-sale securities	24,788	(78,467)
Foreign currency translation adjustments	199,884	(1,148,512)
Remeasurements of defined benefit plans	440,122	(158,078)
Share of other comprehensive income of entities accounted for using equity method	(10,177)	212
Total other comprehensive income	654,617	(1,384,844)
Comprehensive income	6,526,825	5,534,542
(Total comprehensive income attributable to:)		
Owners of parent	6,413,985	5,443,303
Noncontrolling interests	112,839	91,238

**(3) Consolidated Statement of Changes in Equity**

Fiscal year ended February 28, 2018 (From March 1, 2017 to February 28, 2018)

(Unit : Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at beginning of current period	12,721,939	13,939,178	29,095,882	(10,783,273)	44,973,727
Changes of items during period					
Cash dividends			(1,822,997)		(1,822,997)
Net income attributable to owners of parent			5,780,590		5,780,590
Purchase of treasury stock				(1,145,478)	(1,145,478)
Disposal of treasury stock		28,897		110,000	138,897
Retirement of treasury stock		(91,558)	(207,900)	299,458	—
Net changes of items other than shareholders' equity					
Net change in the year	—	(62,661)	3,749,692	(736,019)	2,951,011
Balance at end of current period	12,721,939	13,876,517	32,845,575	(11,519,292)	47,924,738

	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	140,279	(1,354,059)	(822,394)	(2,036,174)	210,329	606,650	43,754,533
Changes of items during period							
Cash dividends							(1,822,997)
Net income attributable to owners of parent							5,780,590
Purchase of treasury stock							(1,145,478)
Disposal of treasury stock							138,897
Retirement of treasury stock							—
Net changes of items other than shareholders' equity	24,788	168,483	440,122	633,394	40,179	67,623	741,197
Net change in the year	24,788	168,483	440,122	633,394	40,179	67,623	3,692,209
Balance at end of current period	165,067	(1,185,575)	(382,271)	(1,402,779)	250,509	674,274	47,446,743

Fiscal year ended December 31, 2018 (From March 1, 2018 to December 31, 2018)

(Unit : Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at beginning of current period	12,721,939	13,876,517	32,845,575	(11,519,292)	47,924,738
Changes of items during period					
Cash dividends			(1,976,925)		(1,976,925)
Net income attributable to owners of parent			6,795,251		6,795,251
Purchase of treasury stock				(1,800,490)	(1,800,490)
Disposal of treasury stock		8,277		41,305	49,583
Retirement of treasury stock		(8,277)	(1,202,505)	1,210,783	—
Net changes of items other than shareholders' equity					
Net change in the year	—	—	3,615,821	(548,401)	3,067,419
Balance at end of current period	12,721,939	13,876,517	36,461,396	(12,067,694)	50,992,158

	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	165,067	(1,185,575)	(382,271)	(1,402,779)	250,509	674,274	47,446,743
Changes of items during period							
Cash dividends							(1,976,925)
Net income attributable to owners of parent							6,795,251
Purchase of treasury stock							(1,800,490)
Disposal of treasury stock							49,583
Retirement of treasury stock							—
Net changes of items other than shareholders' equity	(78,467)	(1,115,402)	(158,078)	(1,351,947)	64,017	85,474	(1,202,455)
Net change in the year	(78,467)	(1,115,402)	(158,078)	(1,351,947)	64,017	85,474	1,864,964
Balance at end of current period	86,599	(2,300,978)	(540,349)	(2,754,727)	314,527	759,749	49,311,707

**(4) Consolidated Statements of Cash Flows**

(Unit: Thousands of yen)

	<b>As of February 28, 2018 (From March 1, 2017 to February 28, 2018)</b>	<b>As of December 31, 2018 (From March 1, 2018 to December 31, 2018)</b>
<b>Operating activities</b>		
Income before income taxes	6,359,357	8,682,866
Depreciation and amortization	2,198,452	1,954,320
Impairment loss	641,595	173,478
Gain on sale of shares of subsidiaries and associates	—	(148,941)
Business restructuring expenses	—	684,314
Loss (gain) on valuation of investment securities	35,535	108,160
Increase (decrease) in allowance for doubtful receivables	69,519	1,262
Increase (decrease) in net defined benefit liability	94,341	101,174
Interest and dividends income	(166,681)	(186,511)
Interest expenses	3,484	6,779
Loss (gain) on sales of property, plant and equipment	(33,474)	(5,667)
Loss (gain) on disposal of property, plant and equipment	48,450	121,970
Decrease (increase) in trade receivables	(2,460,178)	(2,521,964)
Decrease (increase) in inventories	(652,736)	(1,152,614)
Increase (decrease) in trade payables	3,344,693	1,067,389
Other-net	553,718	(1,468,544)
Subtotal	<u>10,036,076</u>	<u>7,417,473</u>
Interest and dividends income received	161,314	176,073
Interest expenses paid	(4,818)	(6,410)
Income taxes refund	107,694	61,419
Income taxes paid	(1,376,941)	(1,559,196)
Net cash provided by operating activities	<u>8,923,325</u>	<u>6,089,359</u>
<b>Investing activities</b>		
Decrease (increase) in short-term investments	(466,760)	16,720
Purchases of securities	(1,090,000)	—
Proceeds from sales of securities	590,000	500,000
Purchases of property, plant and equipment	(3,476,627)	(3,408,204)
Proceeds from sales of property, plant and equipment	55,583	330,489
Purchases of investment securities	(1,143,779)	(828,172)
Proceeds from sales of investment securities	400,000	290,000
Payments into time deposits	(267,742)	(251,580)
Proceeds from withdrawal of time deposits	468,298	257,076
Proceeds from sales of shares of subsidiaries and associates	—	237,087
Other-net	(81,689)	(93,290)
Net cash provided by (used in) investing activities	<u>(5,012,718)</u>	<u>(2,949,876)</u>
<b>Financing activities</b>		
Repayments of finance lease obligations	(29,594)	(26,715)
Payments for purchase of treasury stock	(1,147,538)	(1,802,290)
Disposal of treasury stock	117,645	43,056
Dividends paid to shareholders	(1,821,063)	(1,974,850)
Dividends paid to noncontrolling shareholders of consolidated subsidiaries	(45,216)	(5,763)
Net cash provided by (used in) financing activities	<u>(2,925,767)</u>	<u>(3,766,562)</u>
Foreign currency translation adjustments on cash and cash equivalents	494,595	(477,453)
Net increase (decrease) in cash and cash equivalents	<u>1,479,434</u>	<u>(1,104,533)</u>
Cash and cash equivalents at beginning of year	20,477,977	21,957,411
Cash and cash equivalents at end of year	<u>21,957,411</u>	<u>20,852,878</u>

## (5) Notes to the Consolidated Financial Statements

(Note on Going Concern Assumptions)

Not applicable

(Important Matters Fundamental to the Preparation of Consolidated Financial Statements)

### 1. Matter relating to the scope of consolidation

Number of consolidated subsidiaries: 18

Star Marketing Japan Co., Ltd. was newly established during the fiscal period under review and accordingly included in the Company's scope of consolidation.

In addition, STAR MICRONICS sold all of its shares during the fiscal period under review held in Star Micronics Precision (Thailand) Co., Ltd., a consolidated subsidiary in the previous fiscal year. As a result, Star Micronics Precision (Thailand) was removed from the Company's scope of consolidation.

### 2. Matters relating to application of the equity method

(1) Number of affiliated companies accounted for by the equity method: 1

Company name: Star-Asia Technology Ltd.

(2) Affiliated companies not accounted for by the equity method including Kikugawa Industrial Cooperative have been excluded from the scope of the equity method. This is because the effect on the Company's consolidated financial statements is not considered material or of any major importance as a whole, even if they were excluded from the scope of the equity method, from a variety of perspectives including net income or loss (as calculated by the equity method) and retained earnings (as calculated by the equity method).

(3) The account settlement dates of affiliated companies accounted for by the equity method differ from the consolidated account settlement date. Accordingly, the financial statements as of September 30 for the subject affiliated companies have been used as a basis for consolidation.

### 3. Matters relating to a change in the consolidated account settlement date

STAR MICRONICS and its consolidated subsidiaries in Japan changed their account settlement dates from the last day of February to December 31 each year and the consolidated account settlement date was changed from the last day of February to December 31 each year effective from the fiscal period under review. Through this change and by ensuring that the Company and all of its consolidated subsidiaries share the same account settlement date, STAR MICRONICS is bettered to promote uniform Group-wide management while at the same time securing increased management transparency through the timely and proper disclosure of its performance and results as well as other pertinent information.

In accordance with this change, the account settlement period for STAR MICRONICS and its consolidated subsidiaries in Japan is the 10-month period from March 1, 2018 to December 31, 2018, and the 12-month period from January 1, 2018 to December 31, 2018 for overseas consolidated subsidiaries for the fiscal period under review.

Meanwhile, STAR MICRONICS has taken steps to adjust the profit and loss of overseas consolidated subsidiaries for the period from January 1, 2018 to February 28, 2018 through the consolidated statements of income, with net sales, operating income, ordinary income and income before income taxes for this period amounting to ¥11,018,945 thousand, ¥649,066 thousand, ¥707,967 thousand and ¥708,628 thousand, respectively. In addition, the other comprehensive loss came to ¥1,005,569 thousand.

### 4. Matters relating to the fiscal year of consolidated subsidiaries and other information

The fiscal year-end of all consolidated subsidiaries matches the consolidated account settlement date.

(Segment Information)

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Star Micronics is comprised of the Special Products, Machine Tools, and Precision Products segments. These three reporting segments are configured on a business division basis by products and services.

The Special Products Segment engages in the manufacture and sale of point-of-sale (POS) printers. The Machine Tools Segment undertakes the manufacture and sale of machine tools including CNC automatic lathes. The Precision Products Segment is active in the manufacture and sale of wristwatch as well as automotive, air-conditioner, HDD, medical, and other components.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each Reportable segment.

The accounting policies of each reportable segment are consistent with those disclosed in "Important Matters Fundamental to the Preparation of Consolidated Financial Statements." Figures for income. Figures for income in reportable segment are on an operating income basis.

3. Information about sales, profit (loss), assets, liabilities and other items.

Fiscal year ended February 28, 2018 (From March 1, 2017 to February 28, 2018)

(Unit: Thousands of yen)

	Reportable Segment				Adjustments (Note 1)	Consolidated Financial Statement Amounts (Note 2)
	Special Products	Machine Tools	Precision Products	Total		
Sales						
Sales to external customers	12,305,845	44,342,214	4,124,643	60,772,703	—	60,772,703
Intersegment sales or transfers	—	—	—	—	—	—
Total	12,305,845	44,342,214	4,124,643	60,772,703	—	60,772,703
Segment profit	1,626,962	7,027,442	255,034	8,909,439	(2,699,305)	6,210,134
Segment assets	9,678,014	43,941,401	6,091,240	59,710,657	17,652,326	77,362,984
Other items:						
Depreciation	196,144	1,095,710	528,099	1,819,954	378,497	2,198,452
Investments in associates	286,967	—	—	286,967	—	286,967
Increase in property, plant and equipment and intangible assets	123,854	554,612	286,617	965,084	2,539,548	3,504,632

Notes:

1. Adjustments were made as follows.

- (1) Adjustments to segment income represent corporate expenses that are not allocated to a particular reporting segment. Corporate expenses mainly comprise expenses relating to the Company's head office administration department.
- (2) Adjustments to segment assets represent corporate assets that are not allocated to a particular reporting segment. Corporate assets mainly comprise surplus funds (cash and deposits) as well as assets relating to the Company's administration department.
- (3) Reconciliations recorded for depreciation include depreciation incurred by corporate assets that are not allocated to any reportable segment.
- (4) Reconciliations recorded for increase in property, plant and equipment and intangible assets are capital investments principally for corporate assets that are not allocated to any reportable segment.

2. Segment profit agrees with operating profit in the accompanying consolidated statement of income.

Fiscal year ended December 31, 2018 (From March 1, 2018 to December 31, 2018)

(Unit: Thousands of yen)

	Reportable Segment				Adjustments (Note 1)	Consolidated Financial Statement Amounts (Note 2)
	Special Products	Machine Tools	Precision Products	Total		
Sales						
Sales to external customers	12,651,564	49,337,984	3,950,113	65,939,662	—	65,939,662
Intersegment sales or transfers	—	—	—	—	—	—
Total	12,651,564	49,337,984	3,950,113	65,939,662	—	65,939,662
Segment profit	2,265,624	9,389,843	322,465	11,977,933	(2,265,443)	9,712,489
Segment assets	13,132,607	48,828,389	4,901,900	66,862,897	13,074,731	79,937,629
Other items:						
Depreciation	212,973	1,090,822	366,642	1,670,438	283,881	1,954,320
Investments in associates	281,560	—	—	281,560	—	281,560
Increase in property, plant and equipment and intangible assets	162,186	2,064,479	522,265	2,748,931	1,878,941	4,627,873

Notes:

1. Adjustments were made as follows.

- (1) Adjustments to segment income represent corporate expenses that are not allocated to a particular reporting segment. Corporate expenses mainly comprise expenses relating to the Company's head office administration department.
- (2) Adjustments to segment assets represent corporate assets that are not allocated to a particular reporting segment. Corporate assets mainly comprise surplus funds (cash and deposits) as well as assets relating to the Company's administration department.
- (3) Reconciliations recorded for depreciation include depreciation incurred by corporate assets that are not allocated to any reportable segment.
- (4) Reconciliations recorded for increase in property, plant and equipment and intangible assets are capital investments principally for corporate assets that are not allocated to any reportable segment.

2. Segment profit agrees with operating profit in the accompanying consolidated statement of income.

3. Matters relating to a change in reporting segments and other information

(Matters relating to a change in the consolidated account settlement date)

STAR MICRONICS and its consolidated subsidiaries in Japan changed their account settlement dates from the last day of February to December 31 each year and the consolidated account settlement date was changed from the last day of February to December 31 each year effective from the fiscal period under review as indicated in "Important Matters Fundamental to the Preparation of Consolidated Financial Statements."

In accordance with this change, the account settlement period for STAR MICRONICS and its consolidated subsidiaries in Japan is the 10-month period from March 1, 2018 to December 31, 2018, and the 12-month period from January 1, 2018 to December 31, 2018 for overseas consolidated subsidiaries for the fiscal period under review. Turning to overseas consolidated subsidiaries and the period from January 1, 2018 to February 28, 2018, net sales amounted to ¥2,118,769 thousand, ¥8,514,887 thousand and ¥385,289 thousand in the Special Products, Machine Tools and Precision Products segments, respectively. Segment profit came to ¥78,218 thousand, ¥570,773 thousand and ¥74 thousand in the Special Products, Machine Tools and Precision Products segments, respectively.



## (Per Share Information)

	FY2/2018 (From March 1, 2017 to February 28, 2018)	FY12/2018 (From March 1, 2018 to December 31, 2018)
Net assets per share	¥1,263.15	¥1,345.08
Net income per share	¥155.68	¥186.04
Diluted net income per share	¥136.90	¥163.42

Notes: Basis for calculations of Net assets per share and Diluted net income per share are as follows.

	FY2/2018 (From March 1, 2017 to February 28, 2018)	FY12/2018 (From March 1, 2018 to December 31, 2018)
Net income per share		
Net income attributable to owners of parent (¥ thousand)	5,780,590	6,795,251
Value not attributed to common stock (¥ thousand)	–	–
Net income attributable to common shareholders (¥ thousand)	5,780,590	6,795,251
Average number of outstanding shares (shares)	37,131,487	36,524,832
Diluted net income per share		
Net income adjustments attributable to parent company shareholders (¥ thousand)	(23,623)	(21,041)
[Interest income (¥ thousand)]	[(16,000)]	[(13,333)]
[Handling Fees (¥ thousand)]	[(7,623)]	[(7,708)]
The number of shares of common stock increase (shares)	4,920,362	4,928,154
[Convertible bonds] (shares)	[4,719,764]	[4,728,411]
[Stock acquisition rights] (shares)	[200,598]	[199,743]
Descriptions of potentially dilutive common shares that were not included in the computation of Diluted net income per share because of their anti-dilutive effect	The 9 <sup>th</sup> stock acquisition rights as ordinary stock options (143,000 shares) The 11 <sup>th</sup> stock acquisition rights as ordinary stock options (146,000 shares)	The 9 <sup>th</sup> stock acquisition rights as ordinary stock options (141,000 shares) The 11 <sup>th</sup> stock acquisition rights as ordinary stock options (144,000 shares) The 12 <sup>th</sup> stock acquisition rights as ordinary stock options (175,000 shares)

## (Significant Subsequent Events)

Not applicable