

## Consolidated Earnings Report for the Fiscal Year Ended February 28, 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: May 24, 2018 Scheduled payment of dividends: May 25, 2018  
Scheduled release of fiscal 2018 business report: May 25, 2018  
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, 2018 (From March 1, 2017 to February 28, 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 February 28, 2018	60,772	24.2	6,210	72.2	7,015	95.8	5,780	81.7
Year Ended February 28, 2017	48,937	(10.1)	3,606	(37.1)	3,583	(31.2)	3,181	(14.5)

(Note) Comprehensive income

Year Ended February 28, 2018 ¥6,526 million [249.9 %] Year Ended February 28, 2017 ¥1,865 million [(0.1 %)]

	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, 2018	155.68	136.90	12.9	9.6	10.2
Year Ended February 28, 2017	81.77	74.69	6.9	5.3	7.4

Reference: Equity in earnings of affiliated companies

Year Ended February 28, 2018 ¥8 million Year Ended February 28, 2017 ¥13 million

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 28, 2018	77,362	47,446	60.1	1,263.15
As of February 28, 2017	68,350	43,754	62.8	1,151.40

Reference: Shareholders' Equity

As of February 28, 2018 ¥46,521 million As of February 28, 2017 ¥42,937 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, 2018	8,923	(5,012)	(2,925)	21,957
Year Ended February 28, 2017	5,338	813	138	20,477

### 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)	%	%
FY2017	-	24.00	-	24.00	48.00	1,812	58.7	4.1
FY2018	-	25.00	-	27.00	52.00	1,922	33.4	4.3
Year Ended December 31, 2018 (projected)	-	27.00	-	27.00	54.00		36.6	

3.Consolidated Outlook for the Fiscal Year Ending December 31, 2018 (From March 1, 2018 to December 31, 2018)

(Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of the parent		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Interim term	35,700	-	4,500	-	4,600	-	3,800	-	103.40
Full Year	56,000	-	6,900	-	7,000	-	5,400	-	147.57

Star Micronics plans to change its account settlement date (fiscal year-end) from the last day of February to December 31 effective from fiscal 2018, redefined as the fiscal year ending December 31, 2018. In order to make this change, the Company must partially amend its Articles of Incorporation, which is in turn subject to approval at Star Micronics' 93rd Ordinary General Meeting of Shareholders scheduled to be held on May 24, 2018. Taking into consideration the aforementioned, and the fact that the fiscal period ending December 31, 2018 represents a transitional period, forecast data is based on and presented for the 10-month period from March 1, 2018 to December 31, 2018 for the Company and consolidated subsidiaries whose account settlement date is February 28, and for the 12-month period from January 1, 2018 to December 31, 2018 for consolidated subsidiaries whose account settlement date is December 31. Due to this method of presentation, year-on-year percentage change data is not provided.

(Reference) Consolidated outlook of results based on the Company's existing account settlement period from March 1, 2018 to February 28, 2019 is presented as follows.

(¥ million)

(Percentages represent changes over the previous fiscal year)

Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of the parent
58,900 (3.1%)	6,700 7.9%	6,800 (3.1%)	5,300 (8.3%)

\*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 February 28, 2018	46,774,634 shares	As of February 28, 2017	47,033,234 shares
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(ii) Number of treasury stock at period-end

As of February 28, 2018	9,944,576 shares	As of February 28, 2017	9,741,728 shares
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(iii) Average number of outstanding shares

As of February 28, 2018	37,131,487 shares	As of February 28, 2017	38,908,443 shares
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(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Results for the Fiscal Year Ended February 28, 2018 (March 1, 2017 to February 28, 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 February 28, 2018	38,375	22.5	2,430	142.0	3,846	25.7	3,671	23.5
Year Ended February 28, 2017	31,335	(6.5)	1,004	(14.5)	3,060	(28.3)	2,971	(29.4)

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended February 28, 2018	98.87	86.74
Year Ended February 28, 2017	76.37	69.73

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 28, 2018	60,042	36,661	60.6	988.62
As of February 28, 2017	55,244	35,755	64.3	953.16

Reference: Shareholders' Equity

As of February 28, 2018 ¥36,411 million

As of February 28, 2017 ¥35,544 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

### (1) Overview of Operating Results for the Year Ended February 28, 2018

Looking at economic conditions during fiscal 2018, the fiscal year ended February 28, 2018, the U.S. economy continued to recover steadily and the European economy recovered at a modest pace. In Asia, there were indications of a favorable turnaround in China. On the domestic front, the Japanese economy continued along its modest recovery path.

In the major markets in which the Star Micronics Group operates, levels of demand in the machine tools market in Japan and overseas were both significantly higher compared with the previous fiscal year. Demand in the POS-related market in the Special Products Segment was also robust mainly in the European and U.S. markets. However, demand in the precision products-related market was sluggish for certain products including components for hard disk drives (HDDs).

Looking at movements in foreign currency exchange rates during fiscal 2018, the value of the yen fell against both the U.S. dollar and the euro compared with the previous fiscal year.

Under these circumstances, the Star Micronics Group reported a substantial increase in sales to ¥60,772 million for the fiscal year under review, up 24.2% year on year. This substantial increase was largely due to record high sales of Machine Tools Segment. From a profit perspective, operating income came to ¥6,210 million, an increase of 72.2% compared with the previous fiscal year and ordinary income amounted to ¥7,015 million, up 95.8% year on year. While recording an impairment loss for a manufacturing subsidiary in Thailand in the Precision Products Segment, the Star Micronics Group also posted such items as deferred tax assets. As a result, net income attributable to owners of parent grew substantially to ¥5,780 million, climbing 81.7% compared with the previous fiscal year.

Performance by segment was as follows:

#### (Special Products)

In POS printers, overall sales increased in the U.S. market. Despite the impact of temporary inventory adjustments by sales agents in the first half of the fiscal year, this overall increase largely reflects sales growth in the second half. Sales in the European market also increased substantially due to the recovery trend in market conditions mainly in developed countries. Sales declined in the Asian market due to the sluggish performance of dot impact printers in China. On a positive note, sales in Japan increased on the back of robust mPOS-related sales.

As a result, sales in the Special Products Segment climbed 11.0% compared with the previous fiscal year, to ¥12,305 million. Operating income increased 20.9% year on year, to ¥1,626 million.

#### (Machine Tools)

In CNC automatic lathes, amid robust demand worldwide, sales grew in the U.S. market, mainly in the medical equipment-related sector. Sales also rose strongly in the European market, largely reflecting sustained capital investment mainly in automotive-related sectors. In the Asian market, results were strong in the automotive, communication and medical equipment-related sectors, centered on China. In Japan, sales were healthy in the automotive sector, supporting a steep rise in overall sales of CNC automatic lathes.

As a result, sales and profits increased substantially in the Machine Tools Segment. In specific terms, the Star Micronics Group reported record high segment sales of ¥44,342 million, an increase of 31.9% compared with the previous fiscal year. Operating income increased 60.7% year on year, to ¥7,027 million.

#### (Precision Products)

Sales of wristwatch components increased. Despite the impact from production adjustments at wristwatch makers in the first half of the fiscal year, this increase was mainly due to firm sales trends over the second half.

Sales of non-wristwatch declined. Despite robust sales trends in medical-related components and other products, this result was largely attributable to the downturn in HDD and automotive components.

As a result, sales in the Precision Products Segment decreased 2.4% compared with the previous fiscal year, to ¥4,124 million. Operating income decreased 10.5% year on year, to ¥255 million.

### (2) Overview of Financial Position for the Year Ended February 28, 2018

Total assets as of the end of the fiscal year under review stood at ¥77,362 million, an increase of ¥9,012 million compared with the end of the previous fiscal year. In addition to higher trade notes and accounts receivable as well as cash and deposits, this increase in total assets was attributable to the upswing in construction in progress due to the construction of the Company's head office building. Total liabilities came in at ¥29,916 million, an increase of ¥5,320 million compared with the previous fiscal year-end. This was largely due to the increase in trade payables. Despite the repurchase of own shares, total net assets increased ¥3,692 million compared with the end of the previous fiscal year, to ¥47,446 million, owing mainly to the increase in retained earnings.

### (3) Overview of Cash Flows for the Year Ended February 28, 2018

Cash and cash equivalents as of February 28, 2018 were ¥21,957 million, an increase of ¥1,479 million compared with the previous fiscal year-end. This was the result of net cash provided by operating activities of ¥8,923 million, partially offset by net cash used in investing and financing activities of ¥5,012 million and ¥2,925 million, respectively, and the addition of a translation adjustment on cash and cash equivalents.

#### (Operating Activities)

Net cash provided by operating activities totaled ¥8,923 million, up from ¥5,338 million in the previous fiscal year. The principal cash inflows were income before income taxes and minority interests and depreciation and amortization.

#### (Investing Activities)

Net cash used in investing activities came to ¥5,012 million, a turnaround from net cash provided by investing activities of ¥813 million in the previous fiscal year. The principal cash outflows were for purchases of property, plant and equipment as well as investment securities.

#### (Financing Activities)

Net cash used in financing activities totaled ¥2,925 million compared with net cash provided by financing activities of ¥138 million in the previous fiscal year. In the fiscal year under review, the major cash outflows included cash dividends paid and payments for the repurchase of own shares.

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

	FY2 2014	FY2 2015	FY2 2016	FY2 2017	FY2 2018
Equity Ratio (%)	75.5	72.4	72.7	62.8	60.1
Market Value Basis Equity Ratio (%)	83.6	93.2	74.4	89.1	105.4
Debt / Cash Flow Ratio(Years)	0.8	0.5	0.6	0.5	0.3
Interest Coverage Ratio(Times)	164.1	267.6	281.0	713.1	-

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

Looking ahead, the global economy as a whole is expected to experience a period of ongoing modest recovery, despite uncertainties regarding the impact of efforts aimed at normalizing financial conditions in Europe and the U.S. and concerns toward protectionist trade policies and other factors.

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 demand is expected to remain strong, there are concerns that the tight supply of procurement parts and components will have a negative impact. Turning to the Special Products Segment, trends in mPOS-related printers are anticipated to remain firm. In the Precision Products Segment, sales of both wristwatch and non-wristwatch components are projected to stall.

In this business environment, we expect sales of ¥56,000 million, operating income of ¥6,900 million, ordinary income of ¥7,000 million and net income attributable to owners of parent of ¥5,400 million in next fiscal year. We assume the yen/US dollar exchange rate will be JPY105 and the yen/Euro exchange rate will be JPY 130. Star Micronics plans to change its account settlement date (fiscal year-end) from the last day of February to December 31 effective from fiscal 2018, redefined as the fiscal year ending December 31, 2018. In order to make this change, the Company must partially amend its Articles of Incorporation, which is in turn subject to approval at Star Micronics' 93rd Ordinary General Meeting of Shareholders scheduled to be held on May 24, 2018. Taking into consideration the aforementioned, and the fact that the fiscal period ending December 31, 2018 represents a transitional period, forecast data is based on and presented for the 10-month period

from March 1, 2018 to December 31, 2018 for the Company and consolidated subsidiaries whose account settlement date is February 28, and for the 12-month period from January 1, 2018 to December 31, 2018 for consolidated subsidiaries whose account settlement date is December 31.

**(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, Star Micronics plans to set its fiscal year-end dividend at ¥27 per share. Consequently, the annual dividend, including a ¥25 per share interim dividend, for the fiscal year ended February 28, 2018 will be ¥52 per share, a ¥4 per share increase compared with the end of the previous fiscal year.

Despite the shortened 10-month business term of the coming fiscal year attributable the change in the Company's account settlement date, Star Micronics is looking to pay an interim and period-end dividend of ¥27 per share for the fiscal year ending December 31, 2018 for an annual dividend of ¥54 per share, a ¥2 per share increase compared with the fiscal year 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**  
**(1) Consolidated Balance Sheet**

(Unit: Thousands of yen)

	As of February 28, 2017	As of February 28, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	20,777,539	22,072,044
Trade notes and accounts receivable	14,209,376	16,955,708
Securities	—	1,000,000
Merchandise and finished goods	10,698,809	10,239,928
Work in process	3,611,188	4,250,464
Raw materials and supplies	2,102,186	2,638,195
Deferred tax assets	158,262	663,986
Other	1,688,797	1,958,947
Allowance for doubtful accounts	(74,401)	(144,844)
<b>Total current assets</b>	<b>53,171,760</b>	<b>59,634,430</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	15,954,790	15,998,042
Accumulated depreciation	(10,390,411)	(11,057,140)
Buildings and structures, net	5,564,379	4,940,901
Machinery, equipment and vehicles, net	15,374,307	15,237,961
Accumulated depreciation	(12,027,140)	(12,488,302)
Machinery, equipment and vehicles, net	3,347,167	2,749,658
Tools, furniture and fixtures, net	8,274,269	8,230,170
Accumulated depreciation	(7,379,738)	(7,342,757)
Tools, furniture and fixtures, net	894,530	887,413
Land	2,984,099	2,747,404
Lease assets, net	114,189	152,462
Accumulated depreciation	(57,381)	(77,208)
Lease assets, net	56,807	75,253
Construction in progress	78,869	2,675,595
<b>Total property, plant and equipment</b>	<b>12,925,854</b>	<b>14,076,227</b>
<b>Intangible assets</b>		
Other	1,048,647	917,697
<b>Total intangible assets</b>	<b>1,048,647</b>	<b>917,697</b>
<b>Investments and other assets</b>		
Investment securities	733,570	1,463,817
Deferred tax assets	138,436	906,975
Other	332,391	363,853
Allowance for doubtful accounts	(37)	(17)
<b>Total investments and other assets</b>	<b>1,204,360</b>	<b>2,734,628</b>
<b>Total Non-current assets</b>	<b>15,178,862</b>	<b>17,728,553</b>
<b>Total assets</b>	<b>68,350,623</b>	<b>77,362,984</b>

(Unit: Thousands of yen)

	As of February 28, 2017	As of February 28, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	4,676,447	6,928,315
Electronically recorded obligations-operating	2,147,907	3,383,790
Short-term loans payable	2,500,000	2,500,000
Lease obligations	21,928	28,277
Income taxes payable	503,719	842,462
Provision for bonuses	759,393	1,069,894
Other	4,051,263	5,466,664
<b>Total current liabilities</b>	<b>14,660,661</b>	<b>20,219,403</b>
<b>Non-current liabilities</b>		
Convertible bonds	8,068,000	8,052,000
Lease obligations	39,147	52,923
Net defined benefit liability	1,612,938	1,433,209
Other	215,342	158,704
<b>Total non-current liabilities</b>	<b>9,935,427</b>	<b>9,696,837</b>
<b>Total liabilities</b>	<b>24,596,089</b>	<b>29,916,241</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	12,721,939	12,721,939
Capital surplus	13,939,178	13,876,517
Retained earnings	29,095,882	32,845,575
Treasury stock	(10,783,273)	(11,519,292)
<b>Total shareholders' equity</b>	<b>44,973,727</b>	<b>47,924,738</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	140,279	165,067
Foreign currency translation adjustments	(1,354,059)	(1,185,575)
Remeasurements of defined benefit plans	(822,394)	(382,271)
<b>Total accumulated other comprehensive income</b>	<b>(2,036,174)</b>	<b>(1,402,779)</b>
Stock acquisition rights	210,329	250,509
Noncontrolling interests	606,650	674,274
<b>Total net assets</b>	<b>43,754,533</b>	<b>47,446,743</b>
<b>Total liabilities and net assets</b>	<b>68,350,623</b>	<b>77,362,984</b>



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

(Consolidated Statement of Income)

(Unit: Thousands of yen)

	As of February 28, 2017 (From March 1, 2016 to February 28, 2017)	As of February 28, 2018 (From March 1, 2017 to February 28, 2018)
Net sales	48,937,356	60,772,703
Cost of sales	30,825,247	38,510,512
Gross profit	18,112,108	22,262,191
Selling, general and administrative expenses	14,505,504	16,052,057
Operating income	3,606,604	6,210,134
Non-operating income		
Interest income	131,834	157,810
Dividend income	45,287	8,870
Foreign exchange gains	—	529,723
Rent income	70,128	55,019
Electricity sales income	14,472	14,962
Miscellaneous income	126,293	95,840
Total non-operating income	388,015	862,228
Non-operating expenses		
Interest expense	5,780	3,484
Loss on valuation of investment securities	—	35,535
Foreign exchange loss-net	327,963	—
Cost of lease revenue	19,374	3,839
Electricity sales expense	12,052	10,630
Miscellaneous loss	45,633	2,944
Total non-operating expenses	410,804	56,434
Ordinary income	3,583,815	7,015,928
Extraordinary income		
Gain on sales of non-current assets	4,667	33,474
Gain on sale of investment securities	257,754	—
Total extraordinary income	262,421	33,474
Extraordinary losses		
Loss on disposal of non-current assets	15,168	48,450
Impairment loss	—	641,595
Total extraordinary losses	15,168	690,045
Income before income taxes	3,831,068	6,359,357
Income taxes-current	1,006,565	1,656,435
Income taxes-deferred	(434,938)	(1,169,285)
Total income taxes	571,626	487,150
Net income	3,259,442	5,872,207
Net income attributable to noncontrolling interests	78,081	91,616
Net income attributable to owners of the parent	3,181,360	5,780,590

## (Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	As of February 28, 2017 (From March 1, 2016 to February 28, 2017)	As of February 28, 2018 (From March 1, 2017 to February 28, 2018)
Net income	3,259,442	5,872,207
Other comprehensive income		
Valuation difference on available-for-sale securities	(41,955)	24,788
Foreign currency translation adjustments	(1,394,189)	199,884
Remeasurements of defined benefit plans	51,716	440,122
Share of other comprehensive income of entities	(9,808)	(10,177)
Total other comprehensive income	(1,394,238)	654,617
Comprehensive income	1,865,203	6,526,825
(Total comprehensive income attributable to:)		
Owners of parent	1,835,665	6,413,985
Noncontrolling interests	29,538	112,839

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

Fiscal year ended February 28, 2017 (From March 1, 2016 to February 28, 2017)

(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	13,922,484	27,805,388	(4,479,040)	49,970,771
Changes of items during period					
Cash dividends			(1,890,866)		(1,890,866)
Net income attributable to owners of the parent			3,181,360		3,181,360
Purchase of treasury stock				(6,373,056)	(6,373,056)
Disposal of treasury stock		16,694		68,823	85,518
Net changes of items other than shareholders' equity					
Net change in the year	—	16,694	1,290,494	(6,304,233)	(4,997,044)
Balance at end of current period	12,721,939	13,939,178	29,095,882	(10,783,273)	44,973,727

	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	182,235	1,396	(874,110)	(690,478)	151,832	767,323	50,199,448
Changes of items during period							
Cash dividends							(1,890,866)
Net income attributable to owners of the parent							3,181,360
Purchase of treasury stock							(6,373,056)
Disposal of treasury stock							85,518
Net changes of items other than shareholders' equity	(41,955)	(1,355,455)	51,716	(1,345,695)	58,497	(160,672)	(1,447,870)
Net change in the year	(41,955)	(1,355,455)	51,716	(1,345,695)	58,497	(160,672)	(6,444,914)
Balance at end of current period	140,279	(1,354,059)	(822,394)	(2,036,174)	210,329	606,650	43,754,533

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 the 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 the 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

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

(Unit: Thousands of yen)

	As of February 28, 2017 (From March 1, 2016 to February 28, 2017)	As of February 28, 2018 (From March 1, 2017 to February 28, 2018)
<b>Operating activities</b>		
Income before income taxes	3,831,068	6,359,357
Depreciation and amortization	2,167,001	2,198,452
Impairment loss	—	641,595
Loss (gain) on valuation of investment securities	—	35,535
Loss (gain) on sales of investment securities	(257,754)	—
Increase (decrease) in allowance for doubtful receivables	(26,293)	69,519
Increase (decrease) in net defined benefit liability	(61,301)	94,341
Interest and dividends income	(177,121)	(166,681)
Interest expenses	5,780	3,484
Loss (gain) on sales of property, plant and equipment	(4,667)	(33,474)
Loss (gain) on disposal of property, plant and equipment	15,168	48,450
Decrease (increase) in trade receivables	(786,972)	(2,460,178)
Decrease (increase) in inventories	945,753	(652,736)
Increase (decrease) in trade payables	384,368	3,344,693
Other-net	(27,693)	553,718
<b>Subtotal</b>	<b>6,007,336</b>	<b>10,036,076</b>
Interest and dividends income received	182,623	161,314
Interest expenses paid	(7,486)	(4,818)
Income taxes refund	62,000	107,694
Income taxes paid	(905,838)	(1,376,941)
<b>Net cash provided by operating activities</b>	<b>5,338,635</b>	<b>8,923,325</b>
<b>Investing activities</b>		
Decrease (increase) in short-term investments	589,320	(466,760)
Purchases of securities	(100,000)	(1,090,000)
Proceeds from sales of securities	400,000	590,000
Purchases of property, plant and equipment	(983,769)	(3,476,627)
Proceeds from sales of property, plant and equipment	11,912	55,583
Purchases of investment securities	(30,944)	(1,143,779)
Proceeds from sales of investment securities	1,383,124	400,000
Payments into time deposits	(340,921)	(267,742)
Proceeds from withdrawal of time deposits	446,600	468,298
Other-net	(562,244)	(81,689)
<b>Net cash provided by (used in) investing activities</b>	<b>813,076</b>	<b>(5,012,718)</b>
<b>Financing activities</b>		
Increase in short-term bank loans	500,000	—
Proceeds from issuance of convertible bonds	8,058,807	—
Repayments of finance lease obligations	(23,508)	(29,594)
Payments for purchase of treasury stock	(6,389,313)	(1,147,538)
Disposal of treasury stock	72,275	117,645
Dividends paid to shareholders	(1,889,408)	(1,821,063)
Dividends paid to noncontrolling shareholders of consolidated subsidiaries	(190,210)	(45,216)
<b>Net cash provided by (used in) financing activities</b>	<b>138,641</b>	<b>(2,925,767)</b>
Foreign currency translation adjustments on cash and cash equivalents	(682,301)	494,595
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,608,050</b>	<b>1,479,434</b>
Cash and cash equivalents at beginning of year	14,869,927	20,477,977
<b>Cash and cash equivalents at end of year</b>	<b>20,477,977</b>	<b>21,957,411</b>

**(5) Notes to the Consolidated Financial Statements**

(Notes related to of going concern assumptions)

Not applicable

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

Matter relating to the scope of consolidation

Number of consolidated subsidiaries: 18

Star Cloud Services Inc., a consolidated subsidiary in the fiscal year ended February 28, 2017, was removed from the Company's scope of consolidation due to its liquidation.

(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, 2017 (From March 1, 2016 to February 28, 2017)

(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	11,081,612	33,629,352	4,226,391	48,937,356	—	48,937,356
Intersegment sales or transfers	—	—	—	—	—	—
Total	11,081,612	33,629,352	4,226,391	48,937,356	—	48,937,356
Segment profit	1,345,594	4,372,732	284,805	6,003,133	(2,396,528)	3,606,604
Segment assets	9,286,484	39,259,974	6,684,646	55,231,105	13,119,517	68,350,623
Other items:						
Depreciation	209,396	1,137,417	584,692	1,931,506	235,495	2,167,001
Investments in associates	300,636	—	—	300,636	—	300,636
Increase in property, plant and equipment and intangible assets	136,657	765,685	389,528	1,291,871	149,524	1,441,396

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 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.

## (Per Share Information)

	FY2017 (From March 1, 2016 to February 28, 2017)	FY2018 (From March 1, 2017 to February 28, 2018)
Net assets per share	¥1,151.40	¥1,263.15
Net income per share	¥81.77	¥155.68
Diluted net income per share	¥74.69	¥136.90

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

	FY2017 (From March 1, 2016 to February 28, 2017)	FY2018 (From March 1, 2017 to February 28, 2018)
Net income per share		
Net income attributable to owners of the parent (¥ thousand)	3,181,360	5,780,590
Value not attributed to common stock (¥ thousand)	–	–
Net income attributable to common shareholders (¥ thousand)	3,181,360	5,780,590
Average number of outstanding shares	38,908,443	37,131,487
Diluted net income per share		
Net income adjustments attributable to parent company shareholders (¥ thousand)	(19,620)	(23,623)
[Interest income (¥ thousand)]	[(12,000)]	[(16,000)]
[Handling Fees (¥ thousand)]	[(7,620)]	[(7,623)]
The number of shares of common stock increase	3,425,702	4,920,362
[Convertible bonds]	[3,336,162]	[4,719,764]
[Stock acquisition rights]	[89,540]	[200,598]
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 8 <sup>th</sup> stock acquisition rights as ordinary stock options (167,900 shares) The 9 <sup>th</sup> stock acquisition rights as ordinary stock options (152,000 shares)	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)

## (Significant Subsequent Events)

Not applicable

#### **4.Other**

Change of Outside Director (Scheduled for May 24, 2018)

(1) New plan

Outside Director who serve as an Audit and Supervisory Committee Member (full-time)  
Michimasa Honda (Present Position: Trust Capital Co., Ltd. Senior adviser)

(2) Retiring plan

Outside Director who serve as an Audit and Supervisory Committee Member (full-time)  
Hidenobu Horiike