

Consolidated Earnings Report for the Fiscal Year Ended December 31, 2019 (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 26, 2020 Scheduled payment of dividends: March 12, 2020
Scheduled release of FY2019 business report: March 27, 2020
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, 2019 (From January 1, 2019 to December 31, 2019)

(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, 2019	60,651	—	5,817	—	6,161	—	4,053	—
Year Ended December 31, 2018	65,939	—	9,712	—	9,570	—	6,795	—

(Note) Comprehensive income

Year Ended December 31, 2019 ¥4,257 million [—%] Year Ended December 31, 2018 ¥5,534 million [—%]

	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, 2019	113.72	99.34	8.3	7.9	9.6
Year Ended December 31, 2018	186.04	163.42	14.3	12.2	14.7

Reference: Equity in earnings of affiliated companies

Year Ended December 31, 2019 (¥5 million) Year Ended December 31, 2018 ¥0 million

(Note) 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.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2019	76,393	50,789	65.2	1,413.50
As of December 31, 2018	79,935	49,311	60.3	1,345.08

Reference: Shareholders' Equity As of December 31, 2019 ¥49,825 million As of December 31, 2018 ¥48,237 million

(Note) Effective from the beginning of the first quarter of the current fiscal year, Star Micronics has adopted the "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28 dated February 16, 2018) together with other related pronouncements. Accordingly, figures and other data for the Company's consolidated financial position as of the end of the previous fiscal year have been adjusted retroactively.

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Year-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year Ended December 31, 2019	5,124	(3,150)	(3,014)	19,807
Year Ended December 31, 2018	6,089	(2,949)	(3,766)	20,852

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)	%	%
FY2018	—	27.00	—	27.00	54.00	1,950	29.0	4.1
FY2019	—	28.00	—	28.00	56.00	1,992	49.2	4.1
FY2020(Projected)	—	28.00	—	32.00	60.00		66.1	

(Note) Breakdown of year-end dividend for FY2020(Projected) Ordinary dividend ¥28 Commemorative dividend ¥4

3.Consolidated Outlook for the Fiscal Year Ending December 31, 2020 (From January 1, 2020 to December 31, 2020)

(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	26,600	(15.3)	2,000	(38.8)	2,100	(40.6)	1,200	(50.1)	34.04
Full Year	55,200	(9.0)	4,600	(20.9)	4,800	(22.1)	3,200	(21.1)	90.78

*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: Yes

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

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(Note) For details, please refer to (5) Notes to the Consolidated Financial Statements" under "3.Consolidated Financial Statements and Major Notes" on page 12.

(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, 2019	45,091,334 shares	As of December 31, 2018	45,772,234 shares
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(ii) Number of treasury stock at period-end

As of December 31, 2019	9,841,986 shares	As of December 31, 2018	9,910,156 shares
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(iii) Average number of outstanding shares

As of December 31, 2019	35,647,778 shares	As of December 31, 2018	36,524,832 shares
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(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Results for the Fiscal Year Ended December 31, 2019 (January 1, 2019 to December 31, 2019)

(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, 2019	36,944	—	2,050	—	4,549	—	3,388	—
Year Ended December 31, 2018	35,415	—	2,927	—	3,682	—	2,709	—

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended December 31, 2019	95.05	82.94
Year Ended December 31, 2018	74.18	64.86

(Note) Taking into account the fact that the period ended December 31, 2018 is a transitional period, it is presented based on the 10-month period from March 1, 2018 to December 31, 2018. Due to this presentation, year-over-year change data is not provided.

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2019	57,175	36,276	62.7	1,017.18
As of December 31, 2018	61,318	35,628	57.6	984.72

Reference: Shareholders' Equity

As of December 31, 2019 ¥35,854 million As of December 31, 2018 ¥35,314 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, quarterly year-on-year percentage change data is not provided.

(1) Overview of Operating Results for the Year Ended December 31, 2019

Looking at economic conditions throughout the fiscal year under review, the U.S. economy exhibited a modest expansionary trend. In Europe, on the other hand, economic conditions were weak mainly across such major countries as Germany and the U.K. As far as Asia is concerned, China's economy continued to follow a path of slow deceleration. Trends were also generally soft across other regions. On the domestic front, trends across the Japanese economy were firm, despite signs of weakness in certain sectors.

Turning to the major markets in which the Star Micronics Group operates in fiscal 2019, demand in the Company-related machine tools markets overseas and in Japan remained firm in the first half, but showed signs of slowing thereafter. In the POS-related market in the Special Products Segment, operating conditions were mixed. While demand was firm in Japan on the back of last-minute demand in the leadup to the consumption tax rate hike, consumer sentiment stalled in overseas markets, particularly in Europe. In precision products-related markets, trends in demand were sluggish for both wristwatch and non-wristwatch components.

Under these circumstances, the Star Micronics Group reported net sales of ¥60,651 million for the fiscal period under review. From a profit perspective, operating income came to ¥5,817 million, ordinary income was ¥6,161 million, and net income attributable to owners of parent amounted to ¥4,053 million after posting business restructuring expenses related to the Precision Products Segment.

Performance by segment was as follows:

(Special Products)

Sales of POS printers were weak. This was largely due to the impact of inventory adjustments by sales agents in the U.S. and the continued downturn in market conditions in Europe. Looking at Asia, while demand for dot-matrix printers slumped in China, sales were firm in other regions. From a domestic perspective, sales in Japan were robust amid last-minute demand in the leadup to the consumption tax rate hike.

As a result, sales in the Special Products Segment came to ¥12,542 million and operating income was ¥1,614 million.

(Machine Tools)

Sales were brisk for CNC automatic lathes, mainly in the medical equipment-related sector in the U.S. market. In contrast, sales were weak in Europe amid slumping market conditions in the automotive products market. Turning to the Asian market, while sales trends in the medical equipment- and telecommunications-related sectors were firm in China, results were weak in other regions. Again, on the domestic front, sales in Japan were sluggish amid signs that companies were adopting a cautious approach toward mainstay automobile-related capital investment.

As a result, the Machine Tools Segment reported sales of ¥44,920 million and operating income of ¥6,332 million.

(Precision Products)

Sales in the Precision Products Segment were weak. This was mainly due to the impact of inventory adjustments by wristwatch makers on the Group's wristwatch component operations as well as the effects of such factors as the drop in demand in China and reorganization of overseas production bases on non-wristwatch activities.

As a result, the Precision Products Segment posted sales of ¥3,188 million operating income of ¥184 million.

In principle, Star Micronics has decided to withdraw from the non-wristwatch component business and to concentrate on the manufacture and sale of wristwatch components effective from the end of March 2020. Through these means, the Company will work to improve profitability in this segment.

(2) Overview of Financial Position for the Year Ended December 31, 2019

Despite an increase in certain items including inventory, assets at the end of the fiscal year under review were down ¥3,541 million compared with the end of the previous fiscal term to ¥76,393 million. This was mainly due to the decrease in trade receivables as well as cash and deposits. Liabilities were down ¥5,019 million compared with the end of the previous fiscal term to ¥25,604 million owing to the decline in trade payables. Thanks to such factors as the improvement in retained earnings, net assets were up ¥1,477 million from the end of the previous fiscal term to ¥50,789 million.

(3) Overview of Cash Flows for the Year Ended December 31, 2019

Cash and cash equivalents as of the end of the fiscal year under review were ¥19,807 million, a decrease of ¥1,045 million compared with the previous fiscal year-end. This was the result of net cash provided by operating activities of ¥5,124 million, partially offset by net cash used in investing and financing activities of ¥3,150 million and ¥3,014 million, respectively, and the addition of a translation adjustment on cash and cash equivalents.

(Operating Activities)

Net cash provided by operating activities totaled ¥5,124 million. The principal cash inflows were income before income taxes and the decrease in trade receivables. The major cash outflows reflected the decrease in trade payables and the increase in inventories.

(Investing Activities)

Net cash used in investing activities came to ¥3,150 million. The principal cash outflow was for purchases of property, plant and equipment.

(Financing Activities)

Net cash used in financing activities totaled ¥3,014 million. In the fiscal year 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 2016	FY2 2017	FY2 2018	FY12 2018	FY12 2019
Equity Ratio (%)	72.7	62.8	60.1	60.3	65.2
Market Value Basis Equity Ratio (%)	74.4	89.1	105.4	66.9	72.7
Debt / Cash Flow Ratio(Years)	0.6	0.5	0.3	0.4	0.6
Interest Coverage Ratio(Times)	281.0	713.1	-	949.9	316.6

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, conditions throughout the global economy are projected to remain uncertain. This uncertainty is due to a variety of factors including the impact of trade friction between the U.S. and China, negotiations associated with the U.K.’s withdrawal from the European Union and geopolitical risk trends in the Middle East.

Under these circumstances, and in the context of the Company’s consolidated business performance for the coming fiscal year, the domestic, European, U.S., and other markets are expected to exhibit an ongoing cautious approach toward capital expenditures in the mainstay Machine Tools Segment. As a result, sales in this segment are anticipated to decline. Despite the forecast of a negative correction following the pickup in demand in Japan in the leadup to the consumption tax rate hike, firm sales are projected in other regions in the Special Products Segment. Turning to the Precision Products Segment, sales are forecast to decrease. This largely reflects the decision to focus on wristwatch components.

In this business environment, we expect a downturn in net sales of 9.0% compared with the fiscal year under review, to ¥55,200 million. On a year-on-year basis, operating income is forecast to decline 20.9%, to ¥4,600 million, ordinary income to fall 22.1%, to ¥4,800 million and net income attributable to owners of parent to also drop 21.1%, to ¥3,200 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 JPY115.

(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 ¥28 per share. Consequently, the annual dividend, including a ¥28 per share interim dividend, for the fiscal period ended December 31, 2019 will be ¥56 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 a commemorative dividend of ¥4 per share to celebrate its 70th anniversary in July 2020 to shareholders of record as of December 31, 2020. As a result, the annual dividend, including a ¥28 per share interim dividend and the ¥4 per share commemorative dividend, for the fiscal year ending December 31, 2020 will be ¥60 per share, a ¥4 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 and Major Notes

(1) Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	20,879,679	20,158,296
Trade notes and accounts receivable	18,756,178	14,390,556
Securities	500,000	500,000
Merchandise and finished goods	10,047,819	12,750,263
Work in process	4,539,076	4,486,083
Raw materials and supplies	3,195,901	2,902,351
Other	2,137,540	1,754,218
Allowance for doubtful accounts	(141,988)	(111,535)
Total current assets	59,914,206	56,830,234
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,764,641	15,274,389
Accumulated depreciation	(9,395,486)	(7,693,417)
Buildings and structures, net	8,369,154	7,580,972
Machinery, equipment and vehicles, net	14,457,299	14,200,163
Accumulated depreciation	(11,359,070)	(10,874,128)
Machinery, equipment and vehicles, net	3,098,228	3,326,034
Tools, furniture and fixtures	8,674,247	8,270,311
Accumulated depreciation	(7,258,634)	(7,076,754)
Tools, furniture and fixtures, net	1,415,613	1,193,557
Land	2,553,740	2,048,347
Lease assets, net	149,898	170,151
Accumulated depreciation	(88,697)	(68,329)
Lease assets, net	61,201	101,821
Construction in progress	23,093	508,204
Other	—	893,497
Accumulated depreciation	—	(111,095)
Other, net	—	782,401
Total property, plant and equipment	15,521,032	15,541,339
Intangible assets		
Other	867,450	506,018
Total intangible assets	867,450	506,018
Investments and other assets		
Investment securities	1,782,548	2,239,005
Deferred tax assets	1,490,515	923,331
Other	359,458	353,852
Total investments and other assets	3,632,522	3,516,189
Total Non-current assets	20,021,005	19,563,547
Total assets	79,935,211	76,393,781

(Unit: Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,921,278	4,290,386
Electronically recorded obligations-operating	3,510,823	2,961,364
Short-term loans payable	2,500,000	2,500,000
Lease obligations	24,391	34,817
Income taxes payable	820,964	709,354
Provision for bonuses	977,117	768,557
Other	5,822,803	4,664,541
Total current liabilities	20,577,379	15,929,021
Non-current liabilities		
Convertible bonds	8,038,666	8,022,666
Lease obligations	41,384	76,359
Net defined benefit liability	1,751,800	922,823
Other	214,273	653,372
Total non-current liabilities	10,046,124	9,675,221
Total liabilities	30,623,504	25,604,243
Net assets		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	13,876,517	13,050,481
Retained earnings	36,461,396	38,541,041
Treasury stock	(12,067,694)	(12,144,398)
Total shareholders' equity	50,992,158	52,169,063
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	86,599	115,639
Foreign currency translation adjustments	(2,300,978)	(2,571,586)
Remeasurements of defined benefit plans	(540,349)	111,986
Total accumulated other comprehensive income	(2,754,727)	(2,343,960)
Stock acquisition rights	314,527	421,487
Noncontrolling interests	759,749	542,947
Total net assets	49,311,707	50,789,538
Total liabilities and net assets	79,935,211	76,393,781

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

(Unit: Thousands of yen)

	As of December 31, 2018 (From March 1, 2018 to December 31, 2018)	As of December 31, 2019 (From January 1, 2019 to December 31, 2019)
Net sales	65,939,662	60,651,792
Cost of sales	40,477,733	38,330,060
Gross profit	25,461,929	22,321,732
Selling, general and administrative expenses	15,749,439	16,504,572
Operating income	9,712,489	5,817,159
Non-operating income		
Interest income	174,572	205,850
Dividend income	11,939	9,836
Gain on valuation of investment securities	—	110,450
Rent income	47,399	49,032
Miscellaneous income	95,302	120,475
Total non-operating income	329,214	495,644
Non-operating expenses		
Interest expense	6,779	15,732
Loss on valuation of investment securities	108,160	—
Foreign exchange loss-net	336,651	106,353
Cost of lease revenue	3,088	1,601
Miscellaneous loss	16,215	27,870
Total non-operating expenses	470,894	151,557
Ordinary income	9,570,809	6,161,247
Extraordinary income		
Gain on sales of non-current assets	5,667	45,238
Gain on sale of shares of subsidiaries and associates	148,941	—
Reversal of impairment loss	—	235,879
Total extraordinary income	154,608	281,118
Extraordinary losses		
Loss on disposal of non-current assets	121,970	164,371
Impairment loss	173,478	256,421
Business restructuring expenses	684,314	689,318
Other	62,788	—
Total extraordinary losses	1,042,551	1,110,112
Income before income taxes	8,682,866	5,332,253
Income taxes-current	1,599,156	1,263,473
Income taxes-deferred	164,322	223,166
Total income taxes	1,763,478	1,486,639
Net income	6,919,387	3,845,614
Net income (loss) attributable to noncontrolling interests	124,135	(208,098)
Net income attributable to owners of the parent	6,795,251	4,053,712

(Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	As of December 31, 2018 (From March 1, 2018 to December 31, 2018)	As of December 31, 2019 (From January 1, 2019 to December 31, 2019)
Net income	6,919,387	3,845,614
Other comprehensive income		
Valuation difference on available-for-sale securities	(78,467)	29,039
Foreign currency translation adjustments	(1,148,512)	(258,867)
Remeasurements of defined benefit plans	(158,078)	652,336
Share of other comprehensive income of entities accounted for using equity method	212	(10,711)
Total other comprehensive income	(1,384,844)	411,797
Comprehensive income	5,534,542	4,257,411
(Total comprehensive income attributable to:)		
Owners of parent	5,443,303	4,464,480
Noncontrolling interests	91,238	(207,068)

(3) Consolidated Statement of Changes in Equity

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

Fiscal year ended December 31, 2019 (From January 1,2019 to December 31, 2019)

(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	36,461,396	(12,067,694)	50,992,158
Changes of items during period					
Cash dividends			(1,974,067)		(1,974,067)
Net income attributable to owners of parent			4,053,712		4,053,712
Purchase of treasury stock				(1,000,687)	(1,000,687)
Disposal of treasury stock		14,194		83,752	97,946
Retirement of treasury stock		(840,230)		840,230	—
Net changes of items other than shareholders' equity					
Net change in the year	—	(826,036)	2,079,645	(76,704)	1,176,904
Balance at end of current period	12,721,939	13,050,481	38,541,041	(12,144,398)	52,169,063

	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	86,599	(2,300,978)	(540,349)	(2,754,727)	314,527	759,749	49,311,707
Changes of items during period							
Cash dividends							(1,974,067)
Net income attributable to owners of parent							4,053,712
Purchase of treasury stock							(1,000,687)
Disposal of treasury stock							97,946
Retirement of treasury stock							—
Net changes of items other than shareholders' equity	29,039	(270,608)	652,336	410,767	106,960	(216,801)	300,926
Net change in the year	29,039	(270,608)	652,336	410,767	106,960	(216,801)	1,477,831
Balance at end of current period	115,639	(2,571,586)	111,986	(2,343,960)	421,487	542,947	50,789,538

(4) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	As of December 31, 2018 (From March 1, 2018 to December 31, 2018)	As of December 31, 2019 (From January 1, 2019 to December 31, 2019)
Operating activities		
Income before income taxes	8,682,866	5,332,253
Depreciation and amortization	1,954,320	2,418,826
Reversal of impairment loss	—	(235,879)
Impairment loss	173,478	256,421
Gain on sale of shares of subsidiaries and associates	(148,941)	—
Business restructuring expenses	684,314	689,318
Loss (gain) on valuation of investment securities	108,160	(110,450)
Increase (decrease) in allowance for doubtful receivables	1,262	(29,509)
Increase (decrease) in net defined benefit liability	101,174	100,246
Interest and dividends income	(186,511)	(215,686)
Interest expenses	6,779	15,732
Loss (gain) on sales of property, plant and equipment	(5,667)	(45,238)
Loss (gain) on disposal of property, plant and equipment	121,970	164,371
Decrease (increase) in trade receivables	(2,521,964)	4,134,438
Decrease (increase) in inventories	(1,152,614)	(2,396,104)
Increase (decrease) in trade payables	1,067,389	(3,162,630)
Other-net	(1,468,544)	473
Subtotal	7,417,473	6,916,583
Interest and dividends income received	176,073	201,362
Interest expenses paid	(6,410)	(16,185)
Extra retirement payments	—	(421,141)
Income taxes refund	61,419	191,592
Income taxes paid	(1,559,196)	(1,747,789)
Net cash provided by operating activities	6,089,359	5,124,421
Investing activities		
Decrease (increase) in short-term investments	16,720	142,020
Proceeds from sales of securities	500,000	—
Purchases of property, plant and equipment	(3,408,204)	(3,575,099)
Proceeds from sales of property, plant and equipment	386,160	884,097
Purchases of investment securities	(828,172)	(853,332)
Proceeds from sales of investment securities	290,000	500,023
Payments into time deposits	(251,580)	(9,506)
Proceeds from withdrawal of time deposits	257,076	70,400
Proceeds from sales of shares of subsidiaries and associates resulting in change in scope of consolidation	237,087	—
Other-net	(148,962)	(308,730)
Net cash provided by (used in) investing activities	(2,949,876)	(3,150,128)
Financing activities		
Repayments of finance lease obligations	(26,715)	(27,648)
Payments for purchase of treasury stock	(1,802,290)	(1,001,687)
Disposal of treasury stock	43,056	84,324
Dividends paid to shareholders	(1,974,850)	(1,974,905)
Dividends paid to noncontrolling shareholders of consolidated subsidiaries	(5,763)	(9,732)
Other-net	—	(85,184)
Net cash provided by (used in) financing activities	(3,766,562)	(3,014,832)
Foreign currency translation adjustments on cash and cash equivalents	(477,453)	(5,310)
Net increase (decrease) in cash and cash equivalents	(1,104,533)	(1,045,850)
Cash and cash equivalents at beginning of year	21,957,411	20,852,878
Cash and cash equivalents at end of year	20,852,878	19,807,028

(5) Notes to the Consolidated Financial Statements

(Note on Going Concern Assumptions)

Not applicable

(Changes in Accounting Policies)

(Application of IFRS 16 “Leases”)

Effective from the first quarter of the current fiscal year, Star Micronics has adopted International Financial Reporting Standard (IFRS) No. 16 “Leases” with respect to the Company’s overseas consolidated subsidiaries.

The effect of adopting this standard on the Company’s consolidated financial statements is immaterial. Meanwhile, in adopting this standard, Star Micronics applies the standard retrospectively as a transition method with the cumulative effects of initially applying the standard recognized as of the date of initial application.

(Change in Presentation Method)

(Change Associated with the Application of Partial Amendments to Accounting Standard for Tax Effect Accounting)

Effective from the beginning of the fiscal year under review, Star Micronics has applied Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28 issued on February 16, 2018). Accordingly, the Company has changed the manner in which it presents certain accounting line items. In specific terms, deferred tax assets and deferred tax liabilities are now classified as investments and other assets and non-current liabilities, respectively.

Based on the aforementioned change, deferred tax assets recorded under current assets decreased by ¥462,058 thousand and deferred tax assets recorded under investments and other assets increased by ¥459,640 thousand in the Company’s consolidated balance sheet for the previous consolidated fiscal year. Moreover, other recorded under current liabilities decreased by ¥117,283 thousand and other recorded under non-current liabilities increased by ¥114,865 thousand.

Meanwhile, Star Micronics offsets deferred tax assets and deferred tax liabilities for the same tax paying entity. Total assets have decreased by ¥2,417 thousand compared with the balance prior to this change.

(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, 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 method for reportable business segments is consistent with the accounting method use to prepare consolidated financial statements.

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 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	13,130,189	48,828,389	4,901,900	66,860,480	13,074,731	79,935,211
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.

Fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

(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	12,542,241	44,920,915	3,188,635	60,651,792	—	60,651,792
Intersegment sales or transfers	—	—	—	—	—	—
Total	12,542,241	44,920,915	3,188,635	60,651,792	—	60,651,792
Segment profit	1,614,039	6,332,998	184,420	8,131,459	(2,314,299)	5,817,159
Segment assets	11,338,870	49,053,783	4,265,511	64,658,164	11,735,617	76,393,781
Other items:						
Depreciation	401,162	1,499,242	242,195	2,142,601	276,225	2,418,826
Investments in associates	265,308	—	—	265,308	—	265,308
Increase in property, plant and equipment and intangible assets	333,643	2,289,903	89,426	2,712,973	353,796	3,066,770

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)

	FY12/2018 (From March 1, 2018 to December 31, 2018)	FY12/2019 (From January 1, 2019 to December 31, 2019)
Net assets per share	¥1,345.08	¥1,413.50
Net income per share	¥186.04	¥113.72
Diluted net income per share	¥163.42	¥99.34

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

	FY12/2018 (From March 1, 2018 to December 31, 2018)	FY12/2019 (From January 1, 2019 to December 31, 2019)
Net income per share		
Net income attributable to owners of parent (¥ thousand)	6,795,251	4,053,712
Value not attributed to common stock (¥ thousand)	–	–
Net income attributable to common shareholders (¥ thousand)	6,795,251	4,053,712
Average number of outstanding shares (shares)	36,524,832	35,647,778
Diluted net income per share		
Net income adjustments attributable to parent company shareholders (¥ thousand)	(21,041)	(23,649)
[Interest income (¥ thousand)]	[(13,333)]	[(16,000)]
[Handling fees (¥ thousand)]	[(7,708)]	[(7,649)]
The number of shares of common stock increase (shares)	4,928,154	4,919,595
[Convertible bonds (shares)]	[4,728,411]	[4,746,366]
[Stock acquisition rights (shares)]	[199,743]	[173,229]
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 th stock acquisition rights as ordinary stock options (141,000 shares) The 11 th stock acquisition rights as ordinary stock options (144,000 shares) The 12 th stock acquisition rights as ordinary stock options (175,000 shares)	The 9 th stock acquisition rights as ordinary stock options (137,000 shares) The 11 th stock acquisition rights as ordinary stock options (138,000 shares) The 12 th stock acquisition rights as ordinary stock options (169,000 shares) The 13 th stock acquisition rights as ordinary stock options (161,000 shares)

(Significant Subsequent Events)

Not applicable