

Financial Results for the FY12/2019

STAR MICRONICS CO., LTD.

<https://www.star-m.jp>

Code 7718

February 13, 2020

* The projections in this document 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.

Financial Results for the FY12/2019

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About the Change in Account Settlement Date



Star Micronics changed the account settlement date of its previous fiscal period (ended December 31, 2018) from the end of February to December 31. Effective from the fiscal year under review, the fiscal year for the Company and all of its consolidated subsidiaries began on January 1 and ends on December 31.

FY12/2019 (Current Period)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Star Micronics and all of its our Consolidated Subsidiaries	First Quarter			Second Quarter			Third Quarter			Fourth Quarter		

FY12/2018 (Previous Period)												
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Star Micronics and Domestic Consolidated Subsidiaries			First Quarter			Second Quarter			Third Quarter			
Overseas Consolidated Subsidiaries			First Quarter			Second Quarter			Third Quarter			

~FY2/2018 (Conventional Settlement Period)														
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.
Star Micronics and Domestic Consolidated Subsidiaries			First Quarter			Second Quarter			Third Quarter			Fourth Quarter		
Overseas Consolidated Subsidiaries			First Quarter			Second Quarter			Third Quarter			Fourth Quarter		

Consolidated Operating Results



(Millions of Yen)

		FY12/2018 Actual ^{※1}		FY12/2018 Reference ^{※2}		FY12/2019 Actual		
		Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Change (%)
Sales	Special Products	12,651		13,030		12,542		(3.7)
	Machine Tools	49,337		50,829		44,920		(11.6)
	Precision Products	3,950		4,290		3,188		(25.7)
	Total	65,939		68,151		60,651		(11.0)
Operating Income	Special Products	2,265	17.9	2,136	16.4	1,614	12.9	(24.4)
	Machine Tools	9,389	19.0	9,304	18.3	6,332	14.1	(31.9)
	Precision Products	322	8.2	357	8.3	184	5.8	(48.4)
	Eliminations or Corporate	(2,265)		(2,616)		(2,314)		
	Total	9,712	14.7	9,181	13.5	5,817	9.6	(36.6)
Ordinary Income		9,570	14.5	9,041	13.3	6,161	10.2	(31.9)
Net Income Attributable to Owners of Parent		6,795	10.3	6,141	9.0	4,053	6.7	(34.0)

ROE (%)	14.3	-	8.3
Cash Dividends Applicable to the Year	¥54	-	¥56
DOE (%)	4.1	-	4.1

Exchange Rate	US\$	¥110.44	¥109.06
	EUR	¥130.42	¥122.08
	GBP	¥147.48	¥139.27
	CHF	¥112.96	¥109.72

※1. Results for the consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

※2. Figures presented as a reference for the fiscal period ended December 31, 2018 have been calculated to facilitate a comparison with forecasts for the fiscal year ending December 31, 2019 under the same conditions (a 12-month period for both domestic and overseas Group companies).

Consolidated Business Forecast



(Millions of Yen)

		FY12/2019		FY12/2020 Forecast						
				1st Half		2nd Half		Full-Year		
		Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Change (%)
Sales	Special Products	12,542		6,040		6,510		12,550		+0.1
	Machine Tools	44,920		19,920		21,430		41,350		(7.9)
	Precision Products	3,188		640		660		1,300		(59.2)
	Total	60,651		26,600		28,600		55,200		(9.0)
Operating Income	Special Products	1,614	12.9	500	8.3	870	13.4	1,370	10.9	(15.1)
	Machine Tools	6,332	14.1	2,700	13.6	2,700	12.6	5,400	13.1	(14.7)
	Precision Products	184	5.8	(90)	-	170	25.8	80	6.2	(56.6)
	Eliminations or Corporate	(2,314)		(1,110)		(1,140)		(2,250)		
	Total	5,817	9.6	2,000	7.5	2,600	9.1	4,600	8.3	(20.9)
Ordinary Income		6,161	10.2	2,100	7.9	2,700	9.4	4,800	8.7	(22.1)
Net Income Attributable to Owners of Parent		4,053	6.7	1,200	4.5	2,000	7.0	3,200	5.8	(21.1)

ROE (%)	8.3
Cash Dividends Applicable to the Year	¥56
DOE (%)	4.1

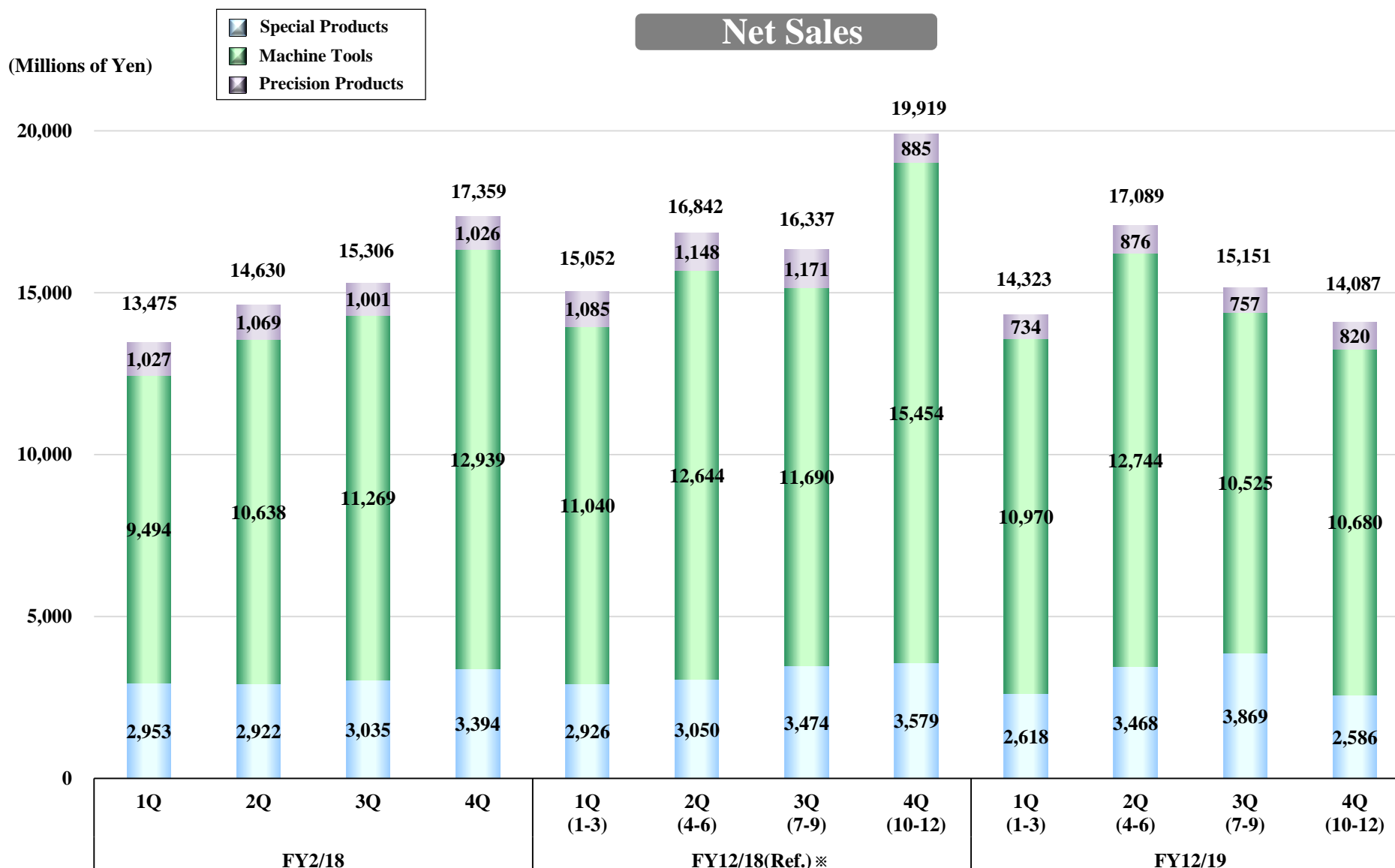
6.5
¥60 (Including a commemorative dividend of ¥4 per share)
4.3

Exchange Rate	US\$	¥109.06
	EUR	¥122.08
	GBP	¥139.27
	CHF	¥109.72

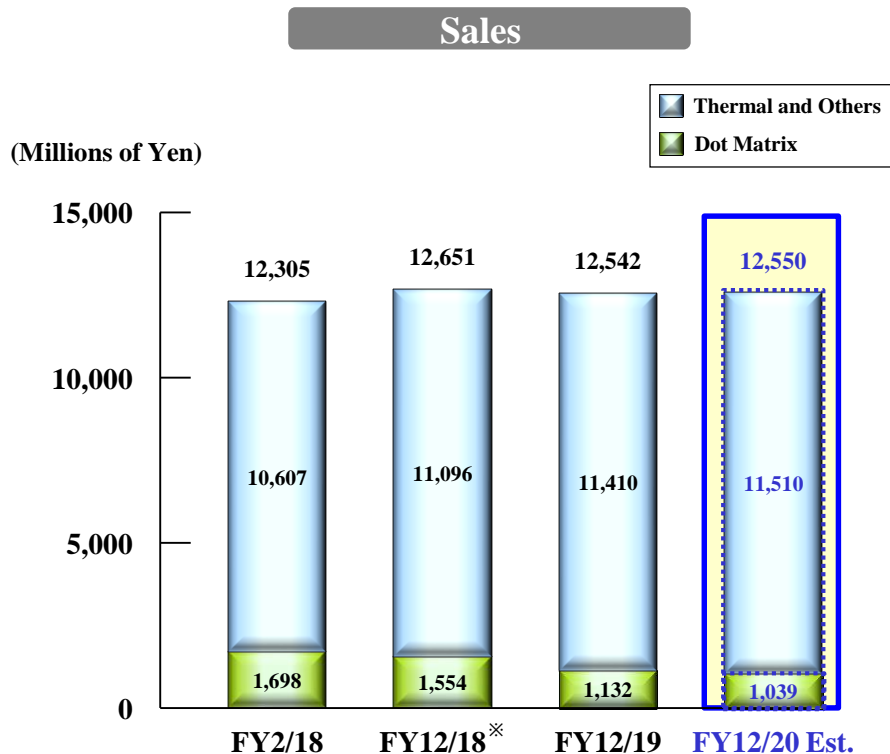
Planned Rate	Foreign Exchange Sensitivity [※]
¥105.00	67 million
¥115.00	45 million
¥140.00	7 million
¥110.00	24 million

※ Foreign Exchange Sensitivity: Sensitivity of operating income to a ¥1 change in foreign exchange rates.

Quarterly Information(Net Sales)

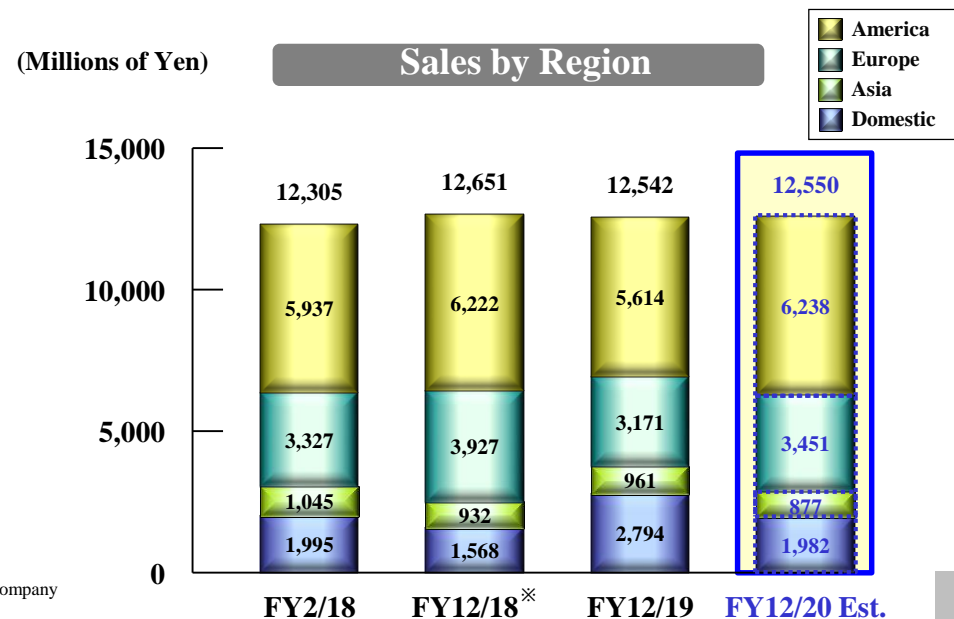
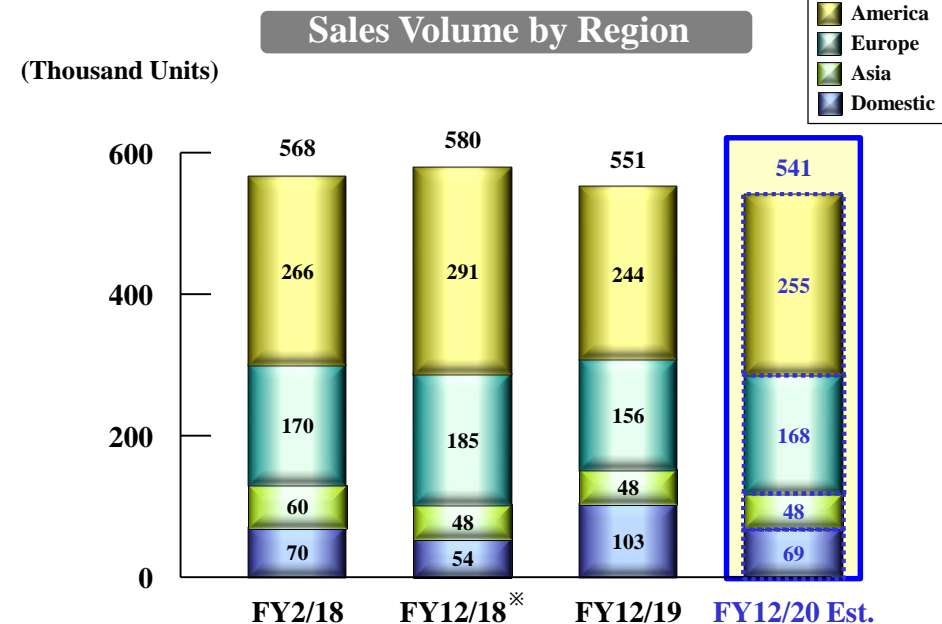


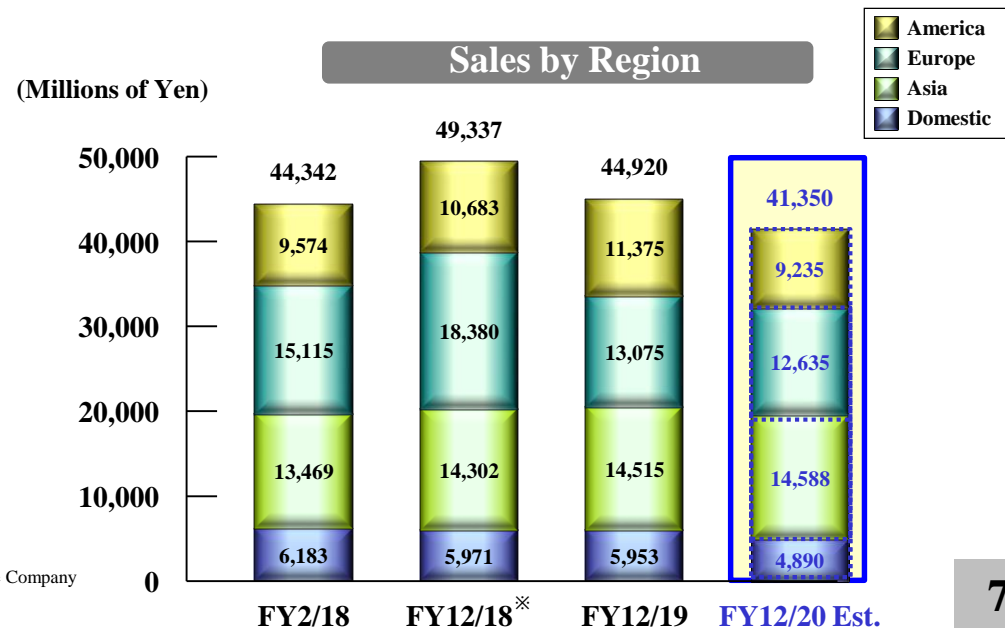
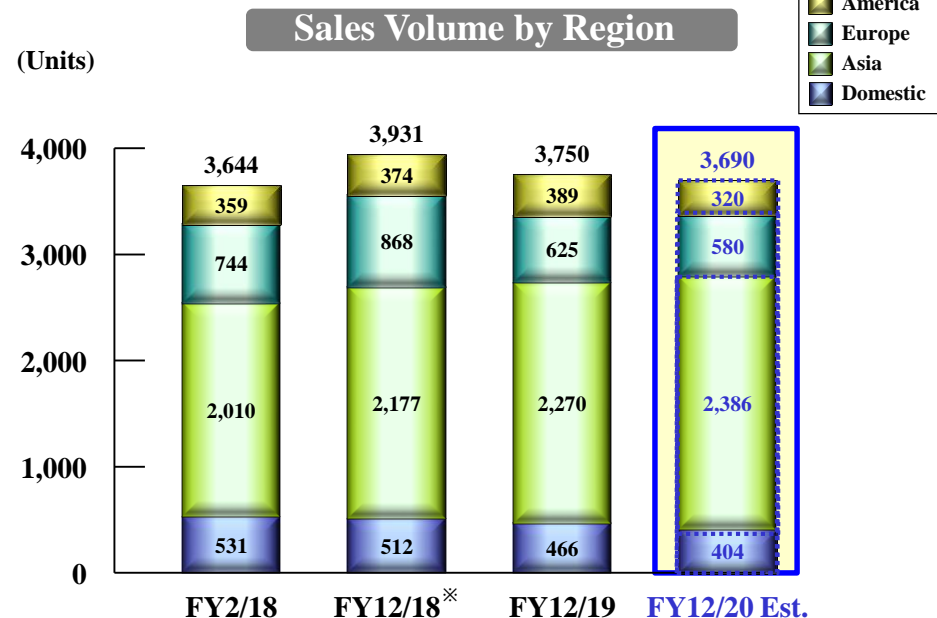
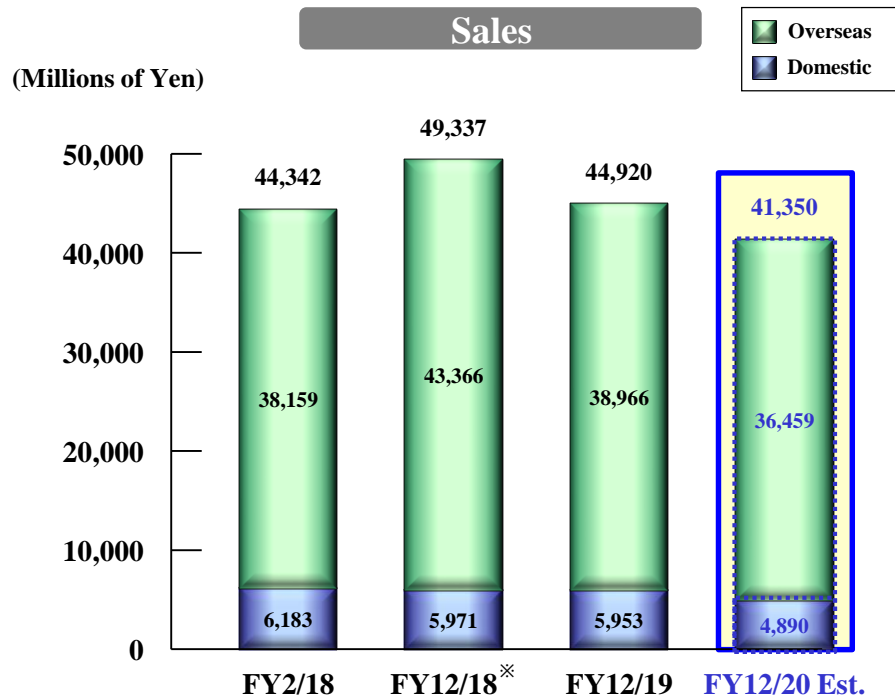
※Figures presented as the FY12/2018(Ref.) have been calculated to facilitate a comparison with the FY12/2019 under the same conditions.
The FY2/2018 is based on the conventional settlement period. (Refer to page 2)



- Sales were weak in the U.S. market due to the impact of inventory adjustments.
- Sales were weak in Europe due to the continued downturn in market conditions.
- In the Asia market, while demand for dot-matrix printers slumped in China, sales were firm in other regions.
- Sales in Japan were robust amid last-minute demand in the leadup to the consumption tax rate hike.

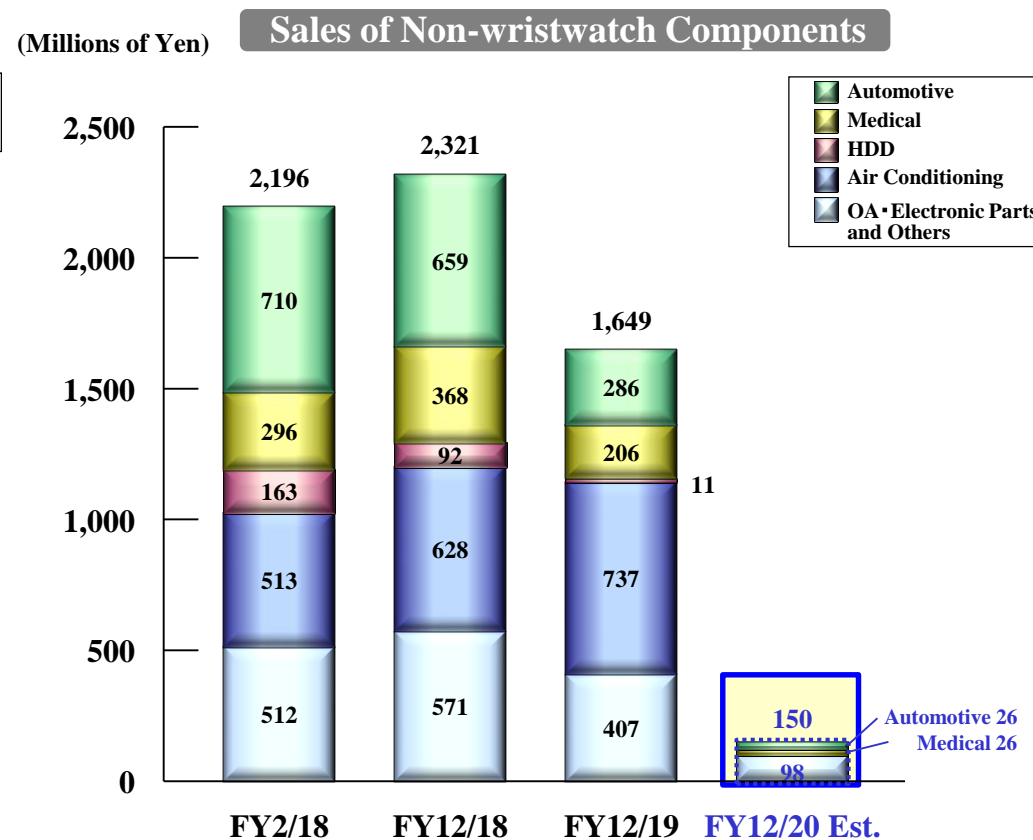
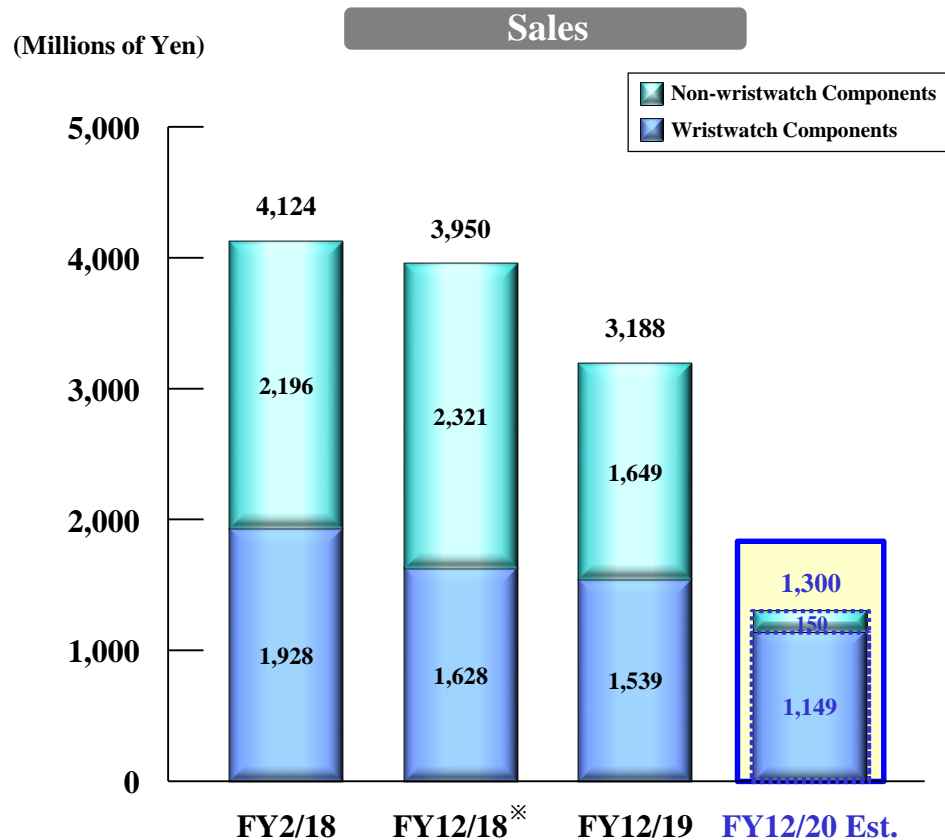
※The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.





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

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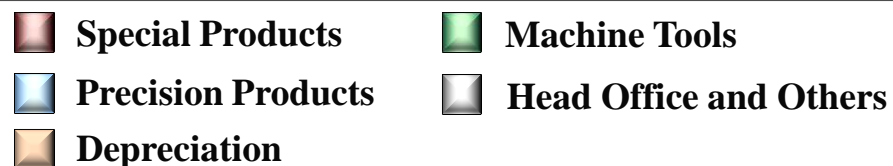
- Sales in the Precision Products Segment were weak. This was mainly due to the impact of inventory adjustments by wristwatch makers on the Group's wristwatch component operations as well as the effects of the drop in demand in China and reorganization of overseas production bases on non-wristwatch activities.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

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Capital Investment / R&D Costs

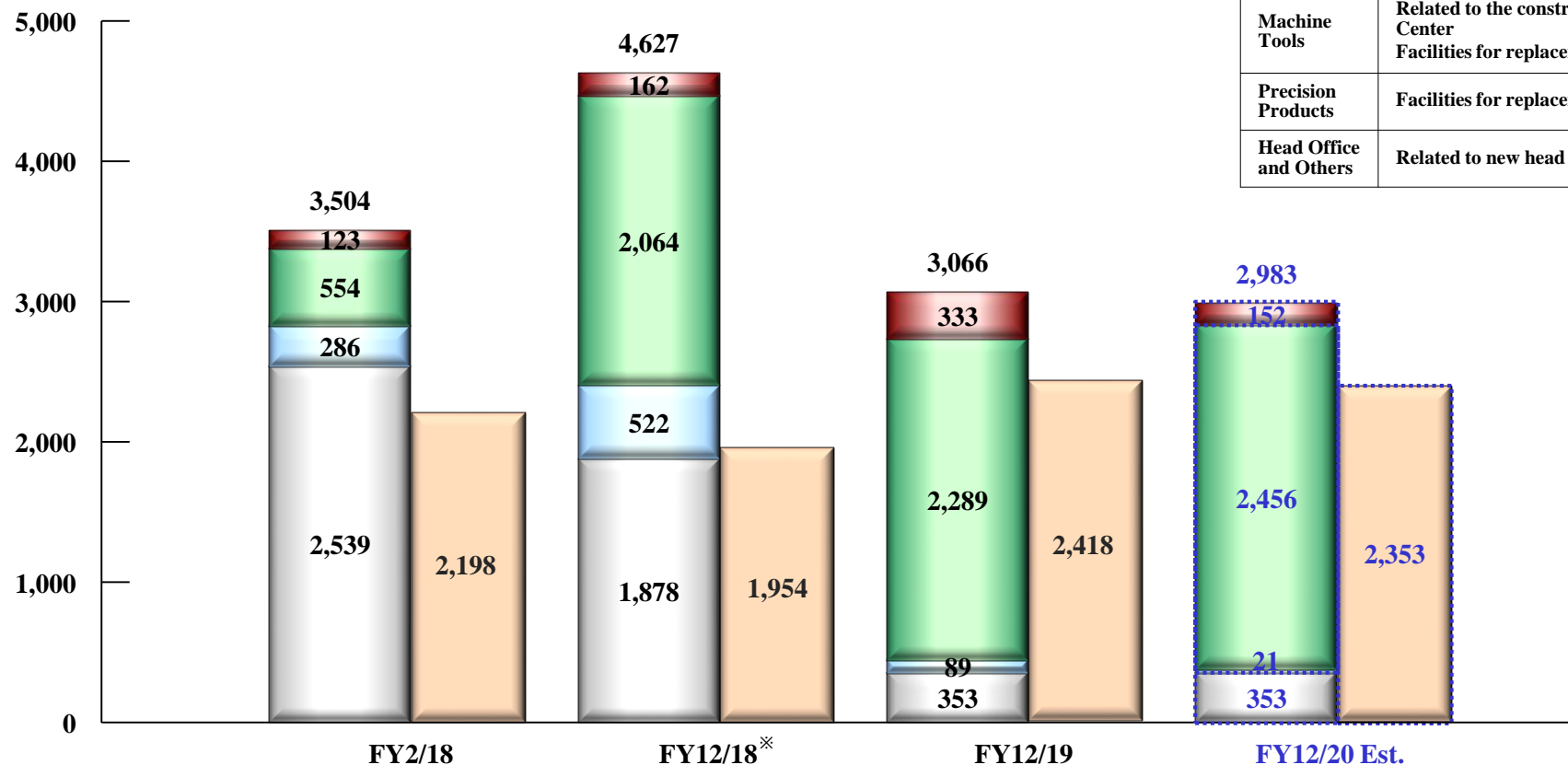
Capital Investment

(Millions of Yen)



【Main Capital Investment Plans】

	Breakdown
Special Products	Dies for new models, etc.
Machine Tools	Related to the construction of the Solution Center Facilities for replacement and maintenance
Precision Products	Facilities for replacement and maintenance
Head Office and Others	Related to new head office building, etc.



R&D Costs

(Millions of Yen)

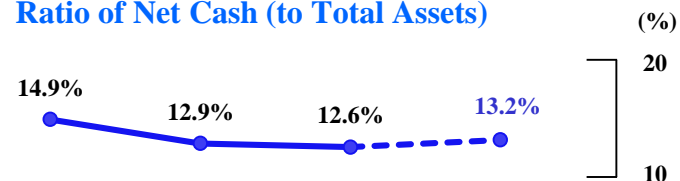
	FY2/18	FY12/18*	FY12/19	FY12/20 Est.
R&D Costs	1,994	1,469	1,679	1,663

※The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

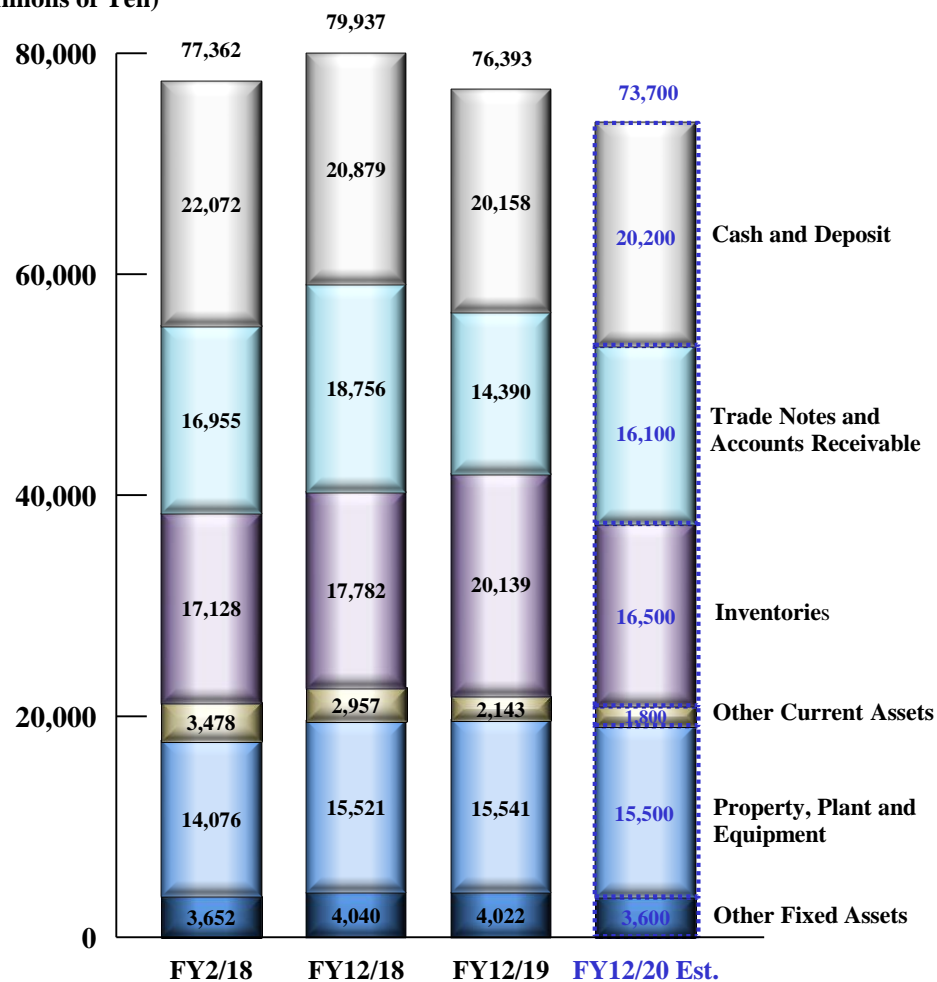
Balance Sheets

Assets

Ratio of Net Cash (to Total Assets)

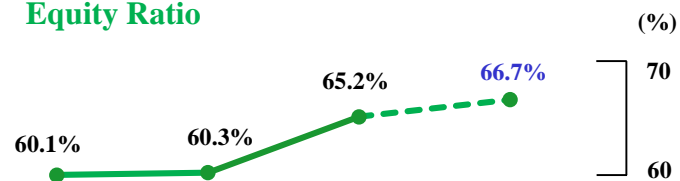


(Millions of Yen)

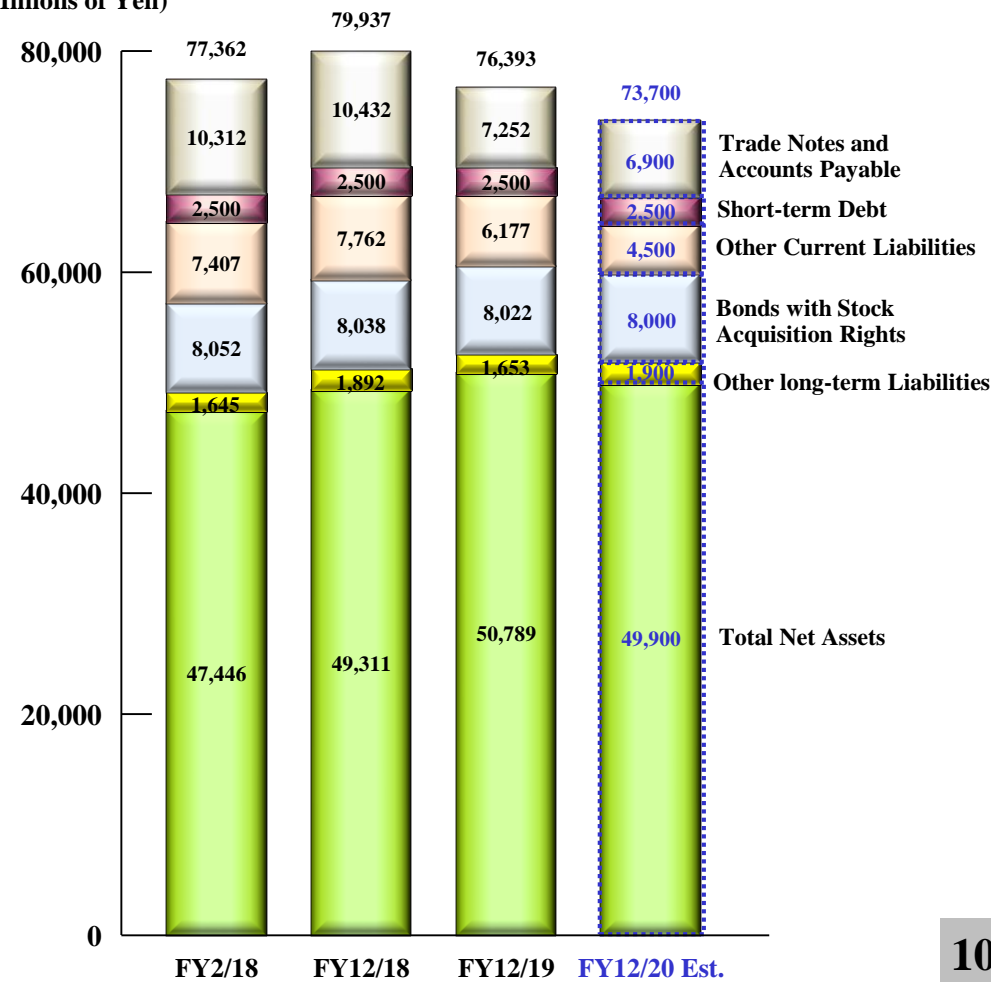


Liabilities/Net assets

Equity Ratio



(Millions of Yen)

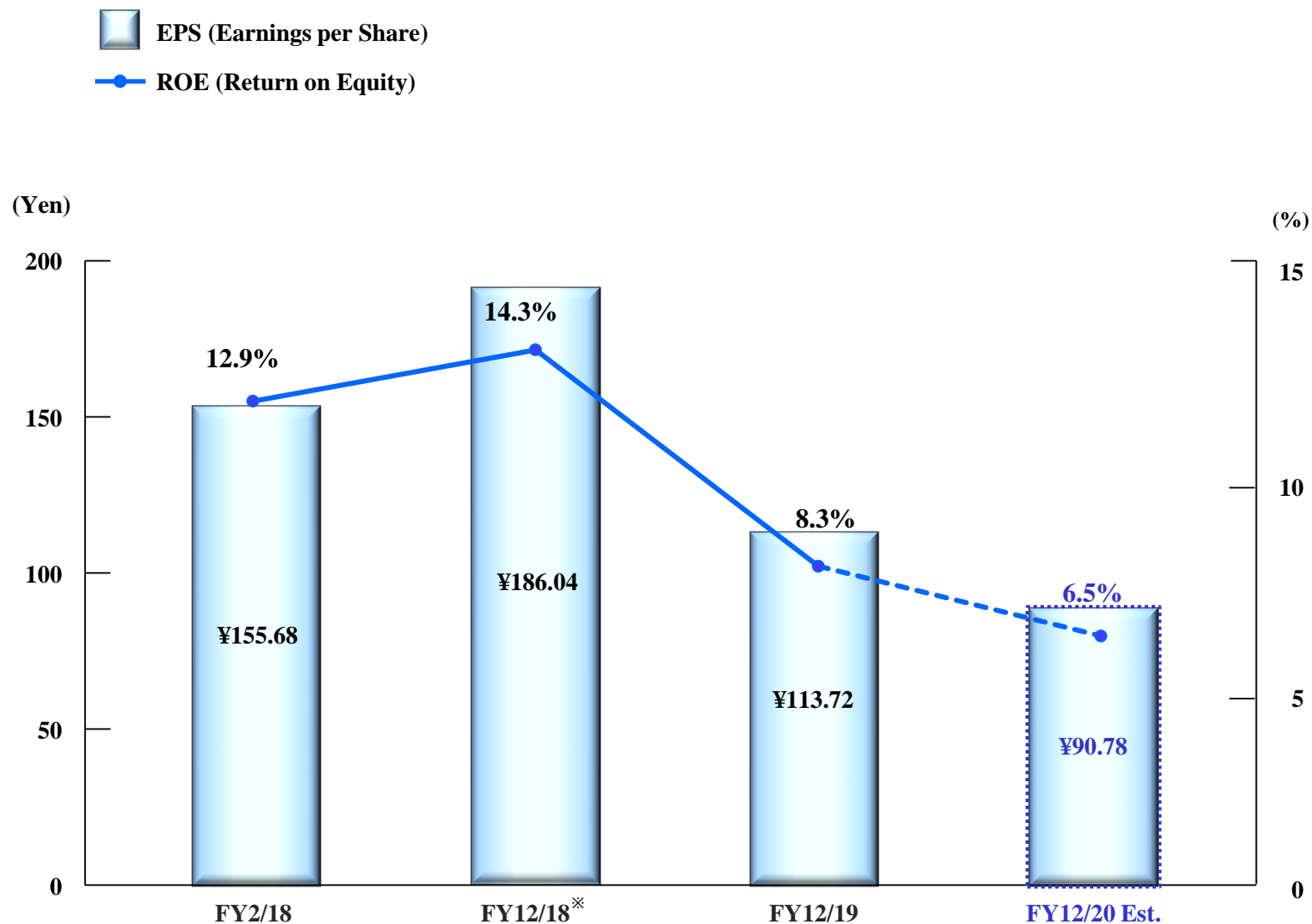


Cash Flows



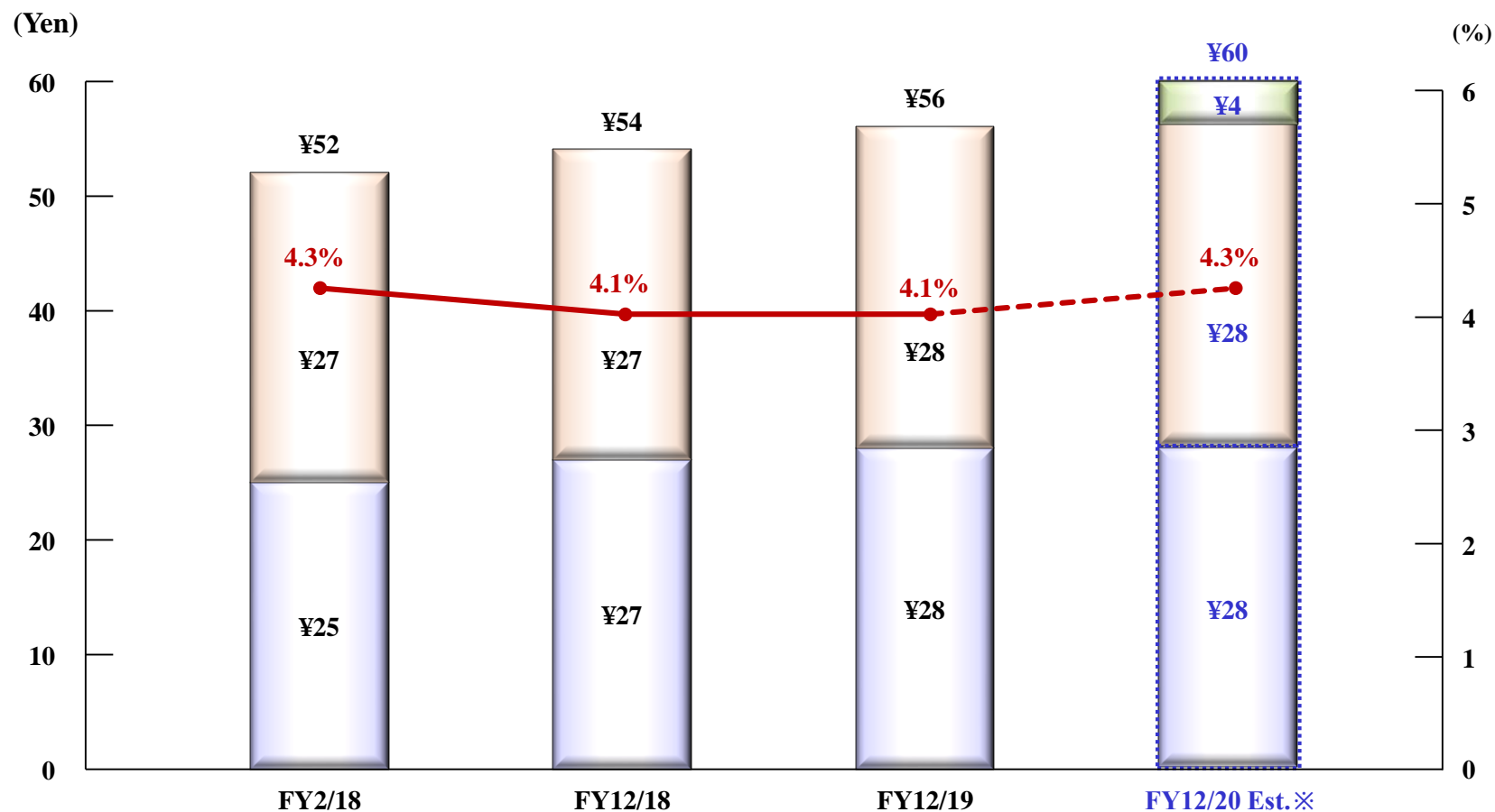
※The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

Key Financial Indicators



※The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

- Total Payout Ratio : 50% or more
- Target DOE : 4.5% or more



Total Payout Ratio	53.1%	55.2%	73.8%	50% or more
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Progress under the Medium-Term Management Plan

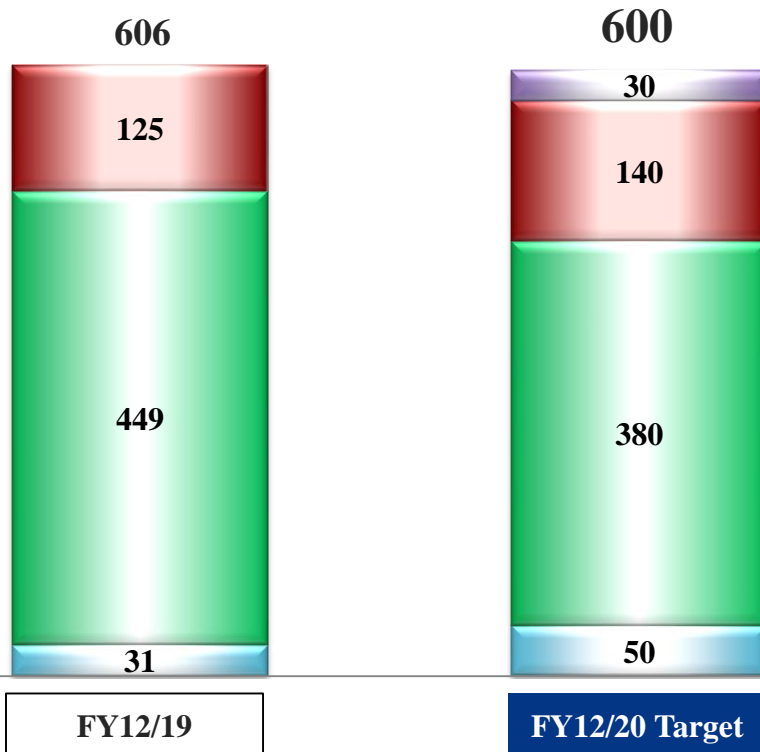
Progress under the Medium-Term Management Plan

Despite achieving the quantitative targets for both net sales and operating income in the previous fiscal year, fell short of the operating income target for the fiscal year under review due to such factors as the slowdown in the Machine Tools Segment.

Net Sales

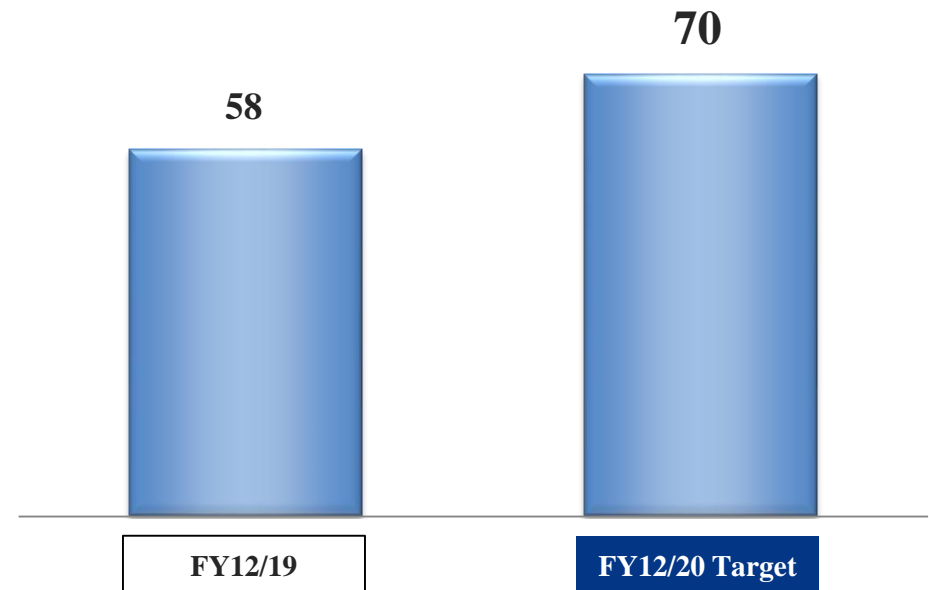
 Special Products
  Machine Tools
  Precision Products
  New Businesses

(Billions of Yen)



Operating Income

(Billions of Yen)



		FY12/19	FY12/20 Target
Exchange Rate	US \$	¥109.06	¥110.00
	EUR	¥122.08	¥115.00

Achievements and Challenges

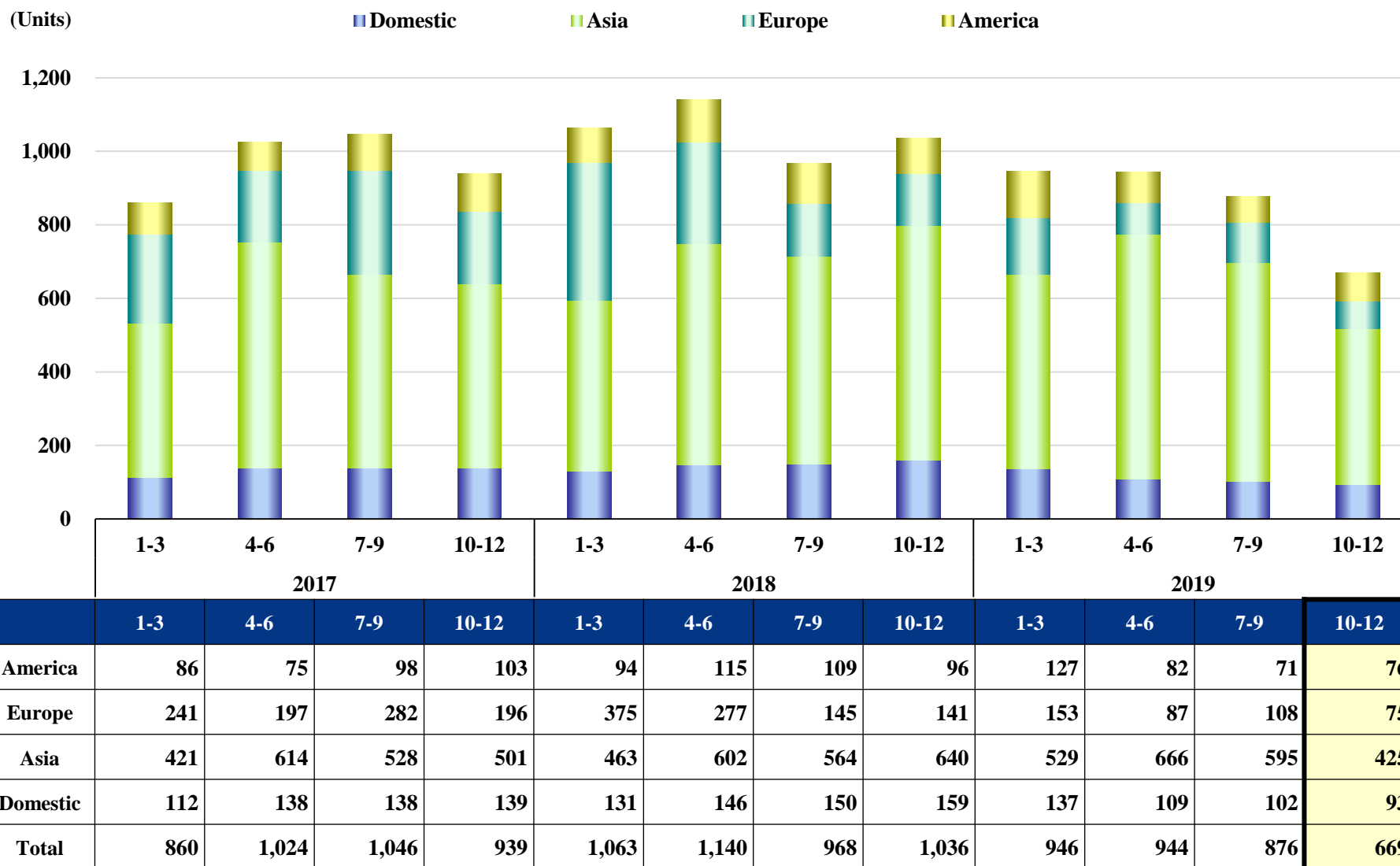
Segment	Strategies (Principal Initiatives)	Achievements and Challenges
Special Products	<ul style="list-style-type: none"> ■ Develop high-value-added products ■ Reorganize sales bases in Europe in light of the U.K.'s impending withdrawal from the European Union ■ Reduce costs by increasing supply chain efficiency 	<ul style="list-style-type: none"> ■ Increase mCollection brand sales while expanding and upgrading the product lineup in the mPOS market ■ Bolster the sales structure in Germany ■ Reorganizing systems with an eye toward strengthening supply chain management ■ Transfer production to Vietnam
Machine Tools	<ul style="list-style-type: none"> ■ Release a series of fixed headstock automatic lathes ■ Develop IoT-related software ■ Shorten lead times and reduce inventories through modular design and production ■ Strengthen service systems in China 	<ul style="list-style-type: none"> ■ Promote the development of fixed headstock automatic lathes ■ Commenced sales of an operation monitoring system ■ Upgraded and expanded the lineup of modular design and production products ■ Completed construction of a new facility at the Company's Dalian Plant in China ■ Strengthen before- and after-sales services using the Solution Center located at the Kikugawa Factory
Precision Products	<ul style="list-style-type: none"> ■ Cultivate new customers and markets ■ Streamline production and promote automation ■ Increase operating rates utilizing IoT 	<ul style="list-style-type: none"> ■ Undertake an organizational restructure and withdraw from non-wristwatch component operations
New Business	<ul style="list-style-type: none"> ■ M&A and business alliances, etc ■ Vibration Power Generators ■ Cloud Services 	<ul style="list-style-type: none"> ■ Establish the New Business Planning Department ■ Consider new business and M&As through external collaboration ■ Withdraw from the vibration power generation business and review the cloud service business structure and systems

Reference

Trends in Quarterly Machine Tool Orders



(Ordered Unit)



※Orders in Europe for the July to September quarter of 2019 have been amended from 109 to 108 due to an error in the previously announced presentation materials.

Performance Indicators (10-Year Data)



	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Income Ratio(%)	Ordinary Income (Millions of Yen)	Income Ratio(%)	Net Income Attributable to Owners of Parent (Millions of Yen)	Income Ratio(%)	EPS (Yen)	ROE (%)	DOE (%)	Dividends per Share (Yen)
FY2/11	35,717	1,428	4.0	1,194	3.3	161	0.5	3.71	0.4	2.5	22.0
FY2/12	41,654	3,952	9.5	4,025	9.7	2,426	5.8	56.94	6.7	3.0	26.0
FY2/13	37,858	1,579	4.2	2,254	6.0	2,299	6.1	54.66	6.0	3.3	30.0
FY2/14	43,481	2,606	6.0	3,219	7.4	1,143	2.6	27.17	2.7	3.4	34.0
FY2/15	50,957	5,476	10.7	6,150	12.1	4,695	9.2	111.36	9.8	3.9	44.0
FY2/16	54,457	5,735	10.5	5,206	9.6	3,720	6.8	87.98	7.4	3.9	46.0
FY2/17	48,937	3,606	7.4	3,583	7.3	3,181	6.5	81.77	6.9	4.1	48.0
FY2/18	60,772	6,210	10.2	7,015	11.5	5,780	9.5	155.68	12.9	4.3	52.0
FY12/18※	65,939	9,712	14.7	9,570	14.5	6,795	10.3	186.04	14.3	4.1	54.0
FY12/19	60,651	5,817	9.6	6,161	10.2	4,053	6.7	113.72	8.3	4.1	56.0
FY12/20(Est.)	55,200	4,600	8.3	4,800	8.7	3,200	5.8	90.78	6.5	4.3	60.0

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Business Segments and Products

Special Products



Cash Drawer and Receipt Printer
mPOP



POS Printer
mC-Print series



Mobile Printer
SM-L200

Machine Tools



CNC Fixed Headstock Automatic Lathe
SK-51 type D



CNC Swiss Type Automatic Lathe
SR-38J



CNC Swiss Type Automatic Lathe
SR-20JII type B

Precision Products

Wristwatch Components



Non-Wristwatch Components (Automotive, Air Conditioning, and Medical Components)



(Automotive Components)