

Financial Results for Fiscal 2018, the Year Ended February 28, 2018

STAR MICRONICS CO., LTD.

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

Code 7718

April 11, 2018

* 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.

Results for the fiscal year ended February 2018

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Year-on-year sales and profits increased substantially

■ Net Sales	: ¥60.77 billion	24.2% up YoY
■ Operating Income	: ¥6.21 billion	72.2% up YoY
■ Ordinary Income	: ¥7.01 billion	95.8% up YoY
■ Net Income Attributable to Owners of Parent	: ¥5.78 billion	81.7% up YoY

✓ **Sales and profits increased substantially. This substantial increase was largely due to record high sales of Machine Tools Segment.**

✓ **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.**

Consolidated Operating Results



(Millions of Yen)

		FY2/17Actual			FY2/18Actual		
		Full-Year			Full-Year		
		Amount	Income Ratio (%)	2016/2017 Change (%)	Amount	Income Ratio (%)	2017/2018 Change (%)
Sales	Special Products	11,081		(2.6)	12,305		+11.0
	Machine Tools	33,629		(11.9)	44,342		+31.9
	Precision Products	4,226		(14.2)	4,124		(2.4)
	Cloud Services ^{※1}	-		-	-		-
	Total	48,937		(10.1)	60,772		+24.2
Operating Income	Special Products	1,703	15.4	(2.4)	1,851	15.0	+8.7
	Machine Tools	4,372	13.0	(25.2)	7,027	15.8	+60.7
	Precision Products	284	6.7	(52.0)	255	6.2	(10.5)
	Cloud Services ^{※1}	(357)	-	-	(225)	-	-
	Eliminations or Corporate	(2,396)			(2,699)		
Total	3,606	7.4	(37.1)	6,210	10.2	+72.2	
Ordinary Income		3,583	7.3	(31.2)	7,015	11.5	+95.8
Net Income Attributable to Owners of Parent		3,181	6.5	(14.5)	5,780	9.5	+81.7

※1. Cloud Services is included in Special Products in consolidated earning report and disclosure information.

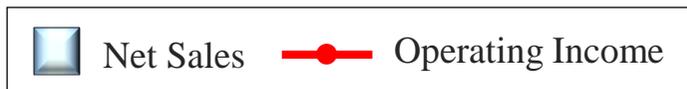
ROE (%) ^{※2}	6.9	12.9
Cash Dividends Applicable to the Year	¥48	¥52
DOE (%) ^{※3}	4.1	4.3

※2. ROE (Return on Equity) =Net Income Attributable to Owners of Parent/Shareholders' Equity (average for the beginning and end of the period)x 100(%)

※3. DOE (Dividend on Equity) =The ratio of the non-consolidated dividend per common share (annual) /consolidated net assets per share(year average)x 100(%)

Exchange Rate	US\$	¥108.87	¥112.19
	EUR	¥120.36	¥126.66
	GBP	¥147.79	¥144.52
	CHF	¥110.41	¥113.94

Quarterly Information (Net Sales and Operating Income)

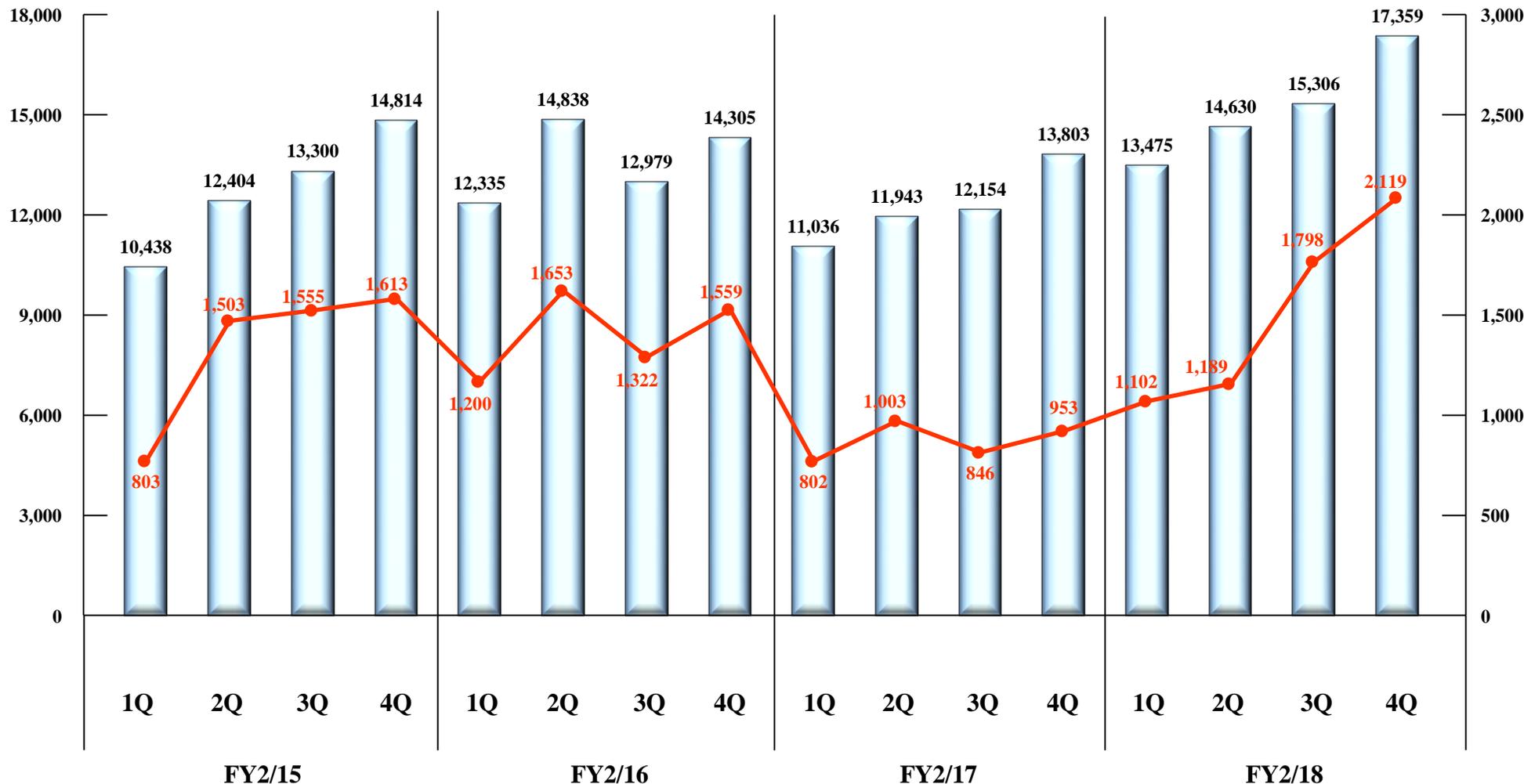


Net Sales

(Millions of Yen)

Operating Income

(Millions of Yen)



Notice Regarding Change in Fiscal Period



Reasons for the change

The Company intends to unify the fiscal period for all of consolidated subsidiaries, to promote integrated group operations, and further enhance management transparency through the timely and adequate disclosure of financial and business information.

FY12/18

Star Micronics has amended its account settlement date from the end of February to December 31 each year. This aligns the Company's accounting period with those of overseas consolidated subsidiaries.

Fiscal Year Ending December 31, 2018 period will be a transitional period that covers ten months from March 1, 2018 to December 31, 2018.

The fiscal period ending December 31, 2018 is as follows.

- Star Micronics and Domestic Consolidated Subsidiaries : 10 months (From March 1, 2018 to December 31, 2018)
- Overseas Consolidated Subsidiaries : 12 months (From January 1, 2018 to December 31, 2018)

	FY12/18											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Star Micronics and Domestic Consolidated Subsidiaries (10 months)	/		First quarter			Second quarter			Third quarter			
Overseas Consolidated Subsidiaries (12 months)	First quarter					Second quarter			Third quarter			

※ 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.

Consolidated Business Forecast



(Millions of Yen)

	FY2/18Actual		FY2/19Forecast (Reference)※		
	Amount	Income Ratio (%)	Amount	Income Ratio (%)	2018/2019 Change (%)
Sales					
Special Products	12,305		12,780		+3.9
Machine Tools	44,342		42,060		(5.1)
Precision Products	4,124		4,060		(1.6)
Cloud Services※ ¹	-		-		-
Total	60,772		58,900		(3.1)
Operating Income					
Special Products	1,851	15.0	1,850	14.5	(0.1)
Machine Tools	7,027	15.8	6,750	16.0	(3.9)
Precision Products	255	6.2	370	9.1	+45.1
Cloud Services※ ¹	(225)	-	-	-	-
Eliminations or Corporate	(2,699)		(2,270)		
Total	6,210	10.2	6,700	11.4	+7.9
Ordinary Income	7,015	11.5	6,800	11.5	(3.1)
Net Income Attributable to Owners of Parent	5,780	9.5	5,300	9.0	(8.3)

※1. Cloud Services is included in Special Products in consolidated earning report and disclosure information.

ROE (%) ※ ²	12.9	-
Cash Dividends Applicable to the Year	¥52	-
DOE (%) ※ ³	4.3	-

※2. ROE (Return on Equity) =Net Income Attributable to Owners of Parent/Shareholders' Equity (average for the beginning and end of the period)x 100(%)

※3. DOE (Dividend on Equity) =The ratio of the non-consolidated dividend per common share (annual) /consolidated net assets per share(year average)x 100(%)

Exchange Rate	Planned Rate		
	US\$	¥112.19	¥105.00
	EUR	¥126.66	¥130.00
	GBP	¥144.52	¥145.00
	CHF	¥113.94	¥110.00

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

※Business results forecasts for the fiscal year ending February 28, 2019, which are provided for reference only, are computed based on the previous accounting period (12 months) in order to facilitate a comparison on equal terms with business results for the fiscal year ended February 28, 2018.

FY12/18Forecast (10 months)	
Amount	Income Ratio (%)
12,320	
40,000	
3,680	
-	
56,000	
1,950	15.8
6,680	16.7
290	7.9
-	-
(2,020)	
6,900	12.3
7,000	12.5
5,400	9.6

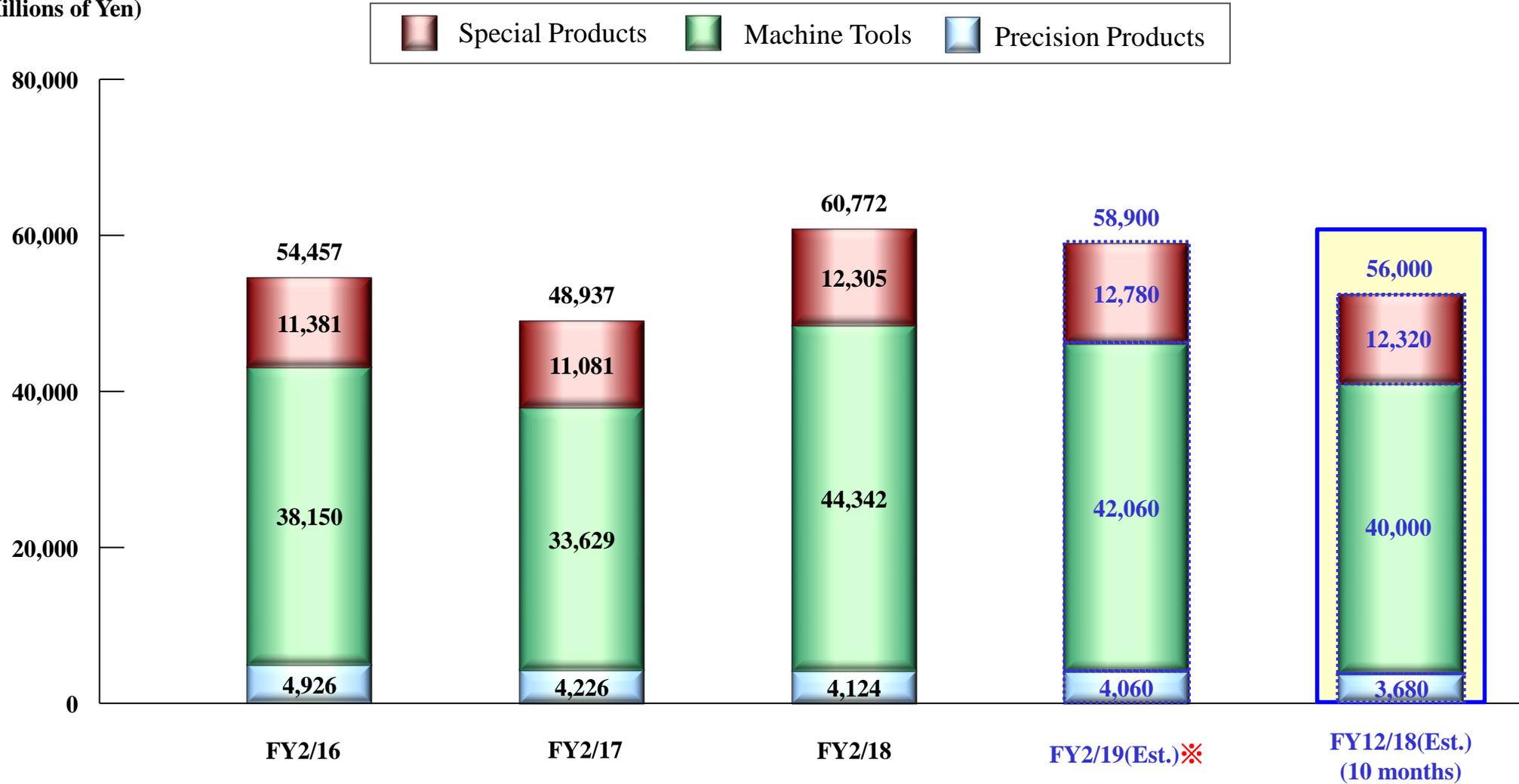
11.5
¥54
4.2

Planned Rate	Foreign Exchange Sensitivity※ ⁴
¥105.00	¥28 million
¥130.00	¥53 million
¥145.00	¥9 million
¥110.00	¥29 million

Sales by Segment



(Millions of Yen)

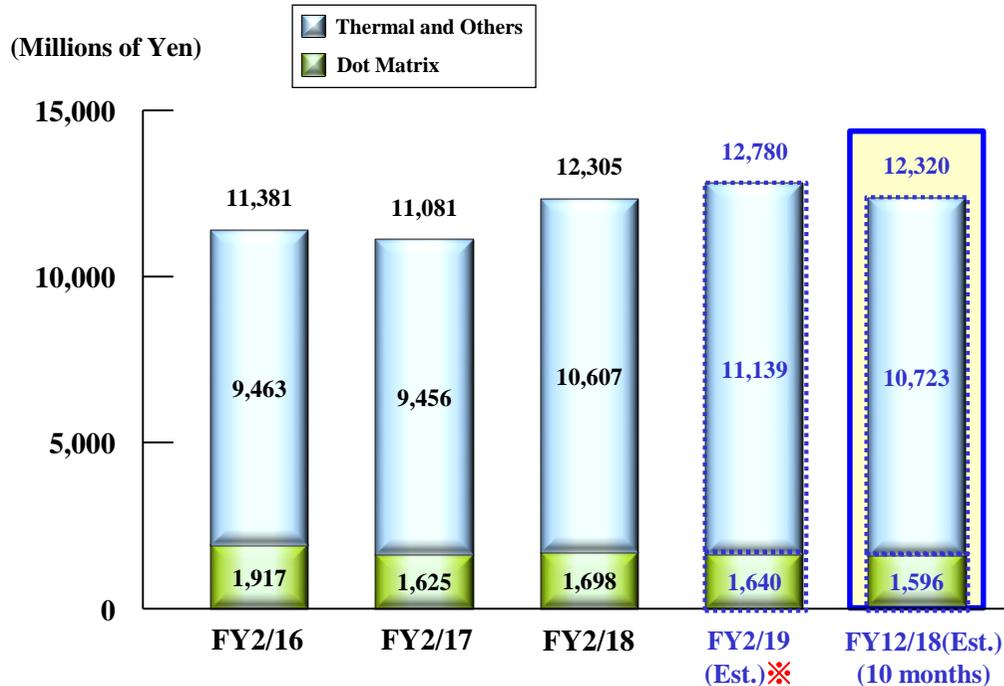


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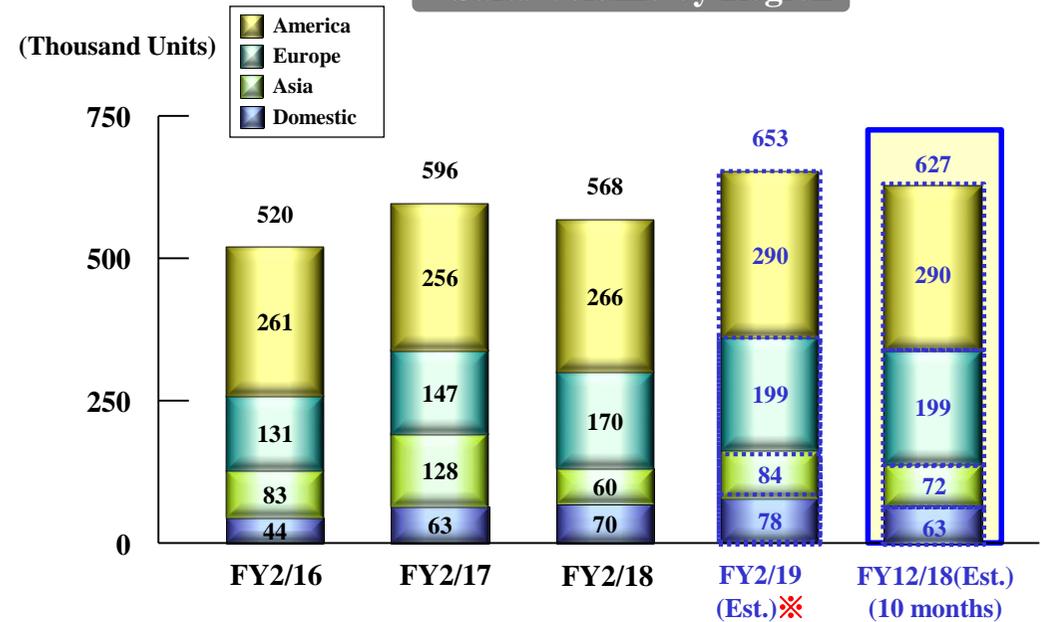
Special Products



Sales

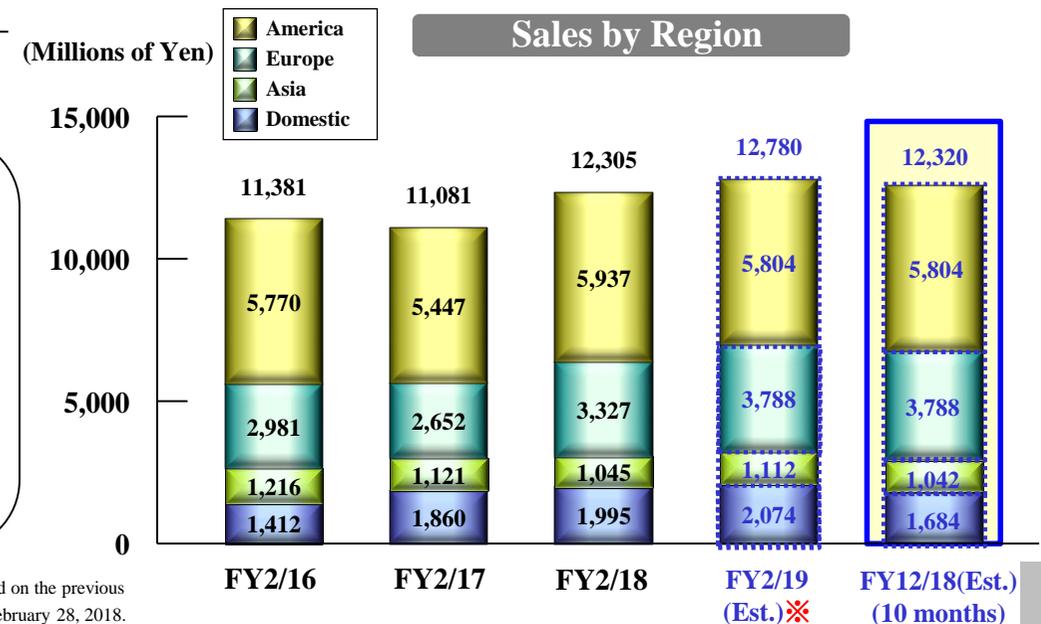


Sales Volume by Region



- Sales in the U.S. market increased 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 increased substantially due to the recovery trend in market conditions mainly in developed countries.
- Sales in the Asian market declined due to the sluggish performance of dot impact printers in China.
- Sales in the Japanese market increased on the back of robust mPOS-related sales.

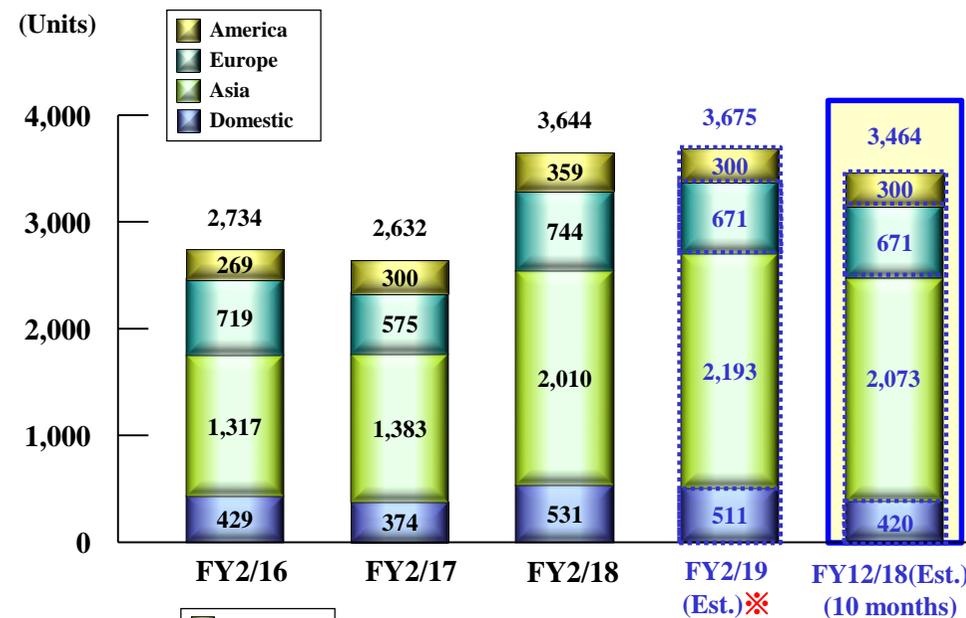
Sales by Region



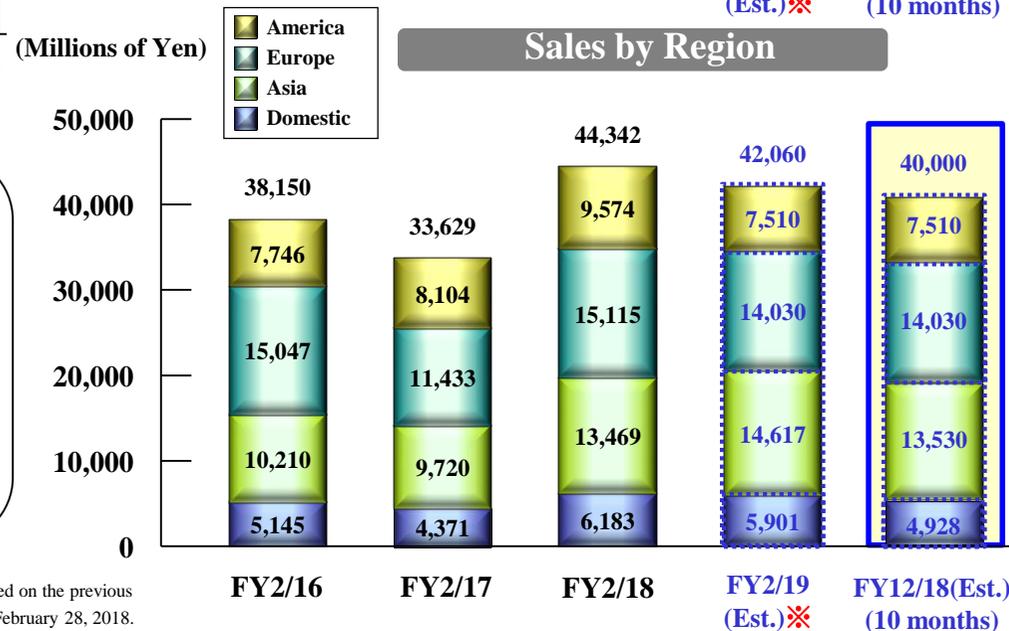
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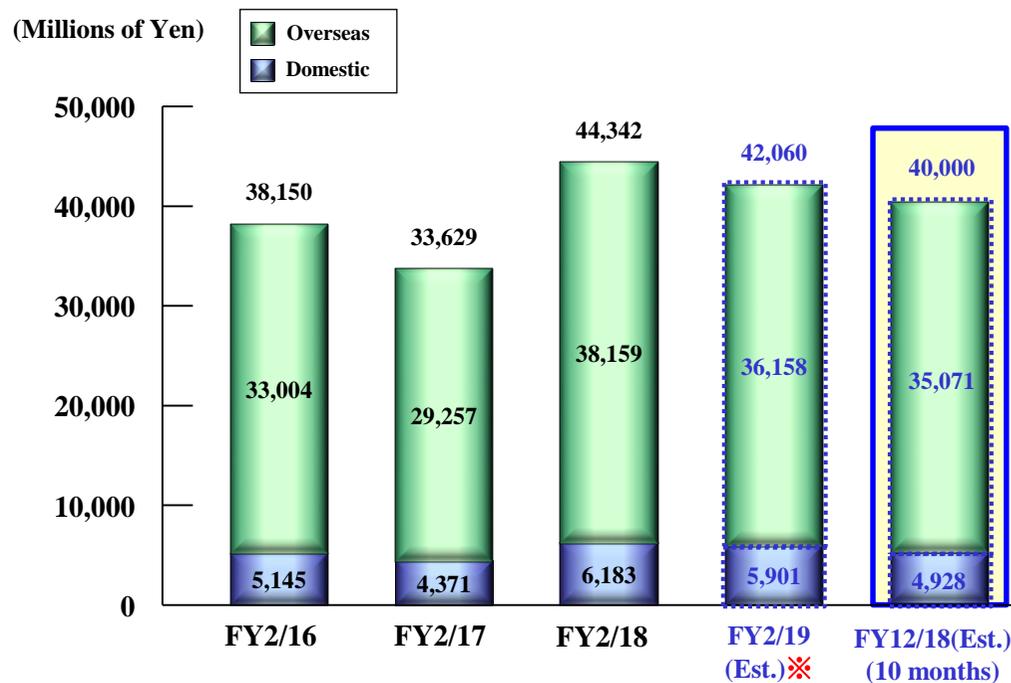
Sales Volume by Region



Sales by Region



Sales



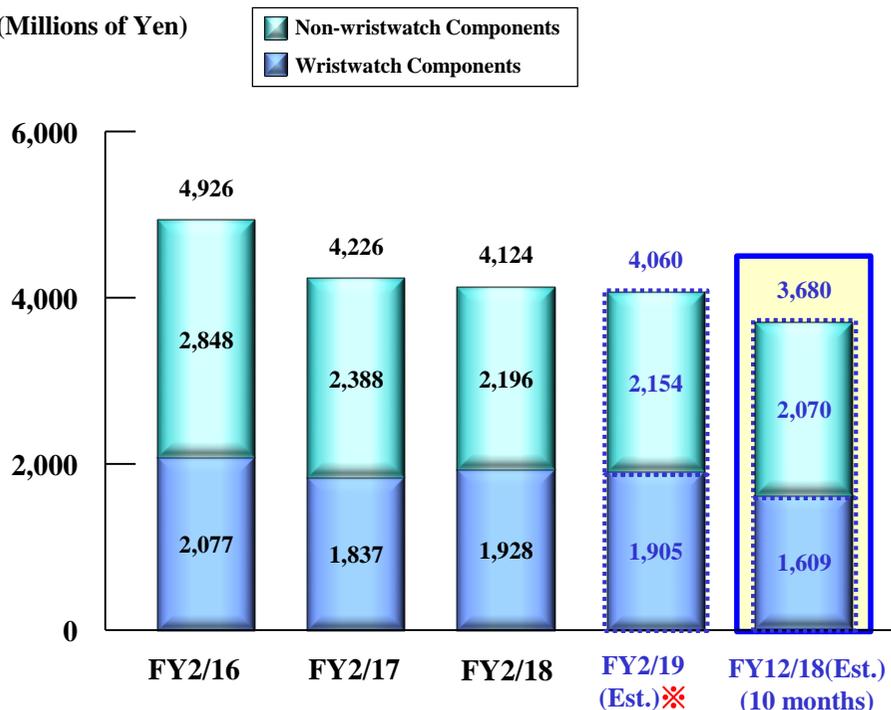
- Sales in the U.S. market increased mainly in the medical equipment-related sector.
- Sales rose strongly in the European market, largely reflecting sustained capital investment mainly in automotive-related sectors.
- In the Asian market, results were strong in the automotive, communication and medical 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.

※Business results forecasts for the fiscal year ending February 28, 2019, which are provided for reference only, are computed based on the previous accounting period (12 months) in order to facilitate a comparison on equal terms with business results for the fiscal year ended February 28, 2018.



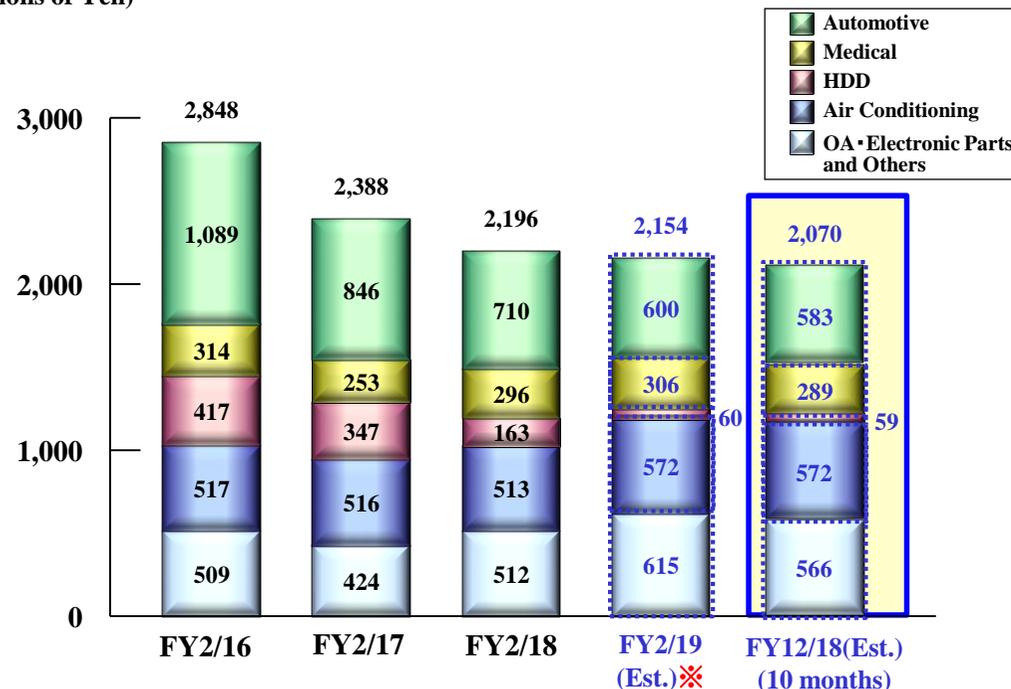
Sales

(Millions of Yen)



Sales of Non-wristwatch Components

(Millions of Yen)



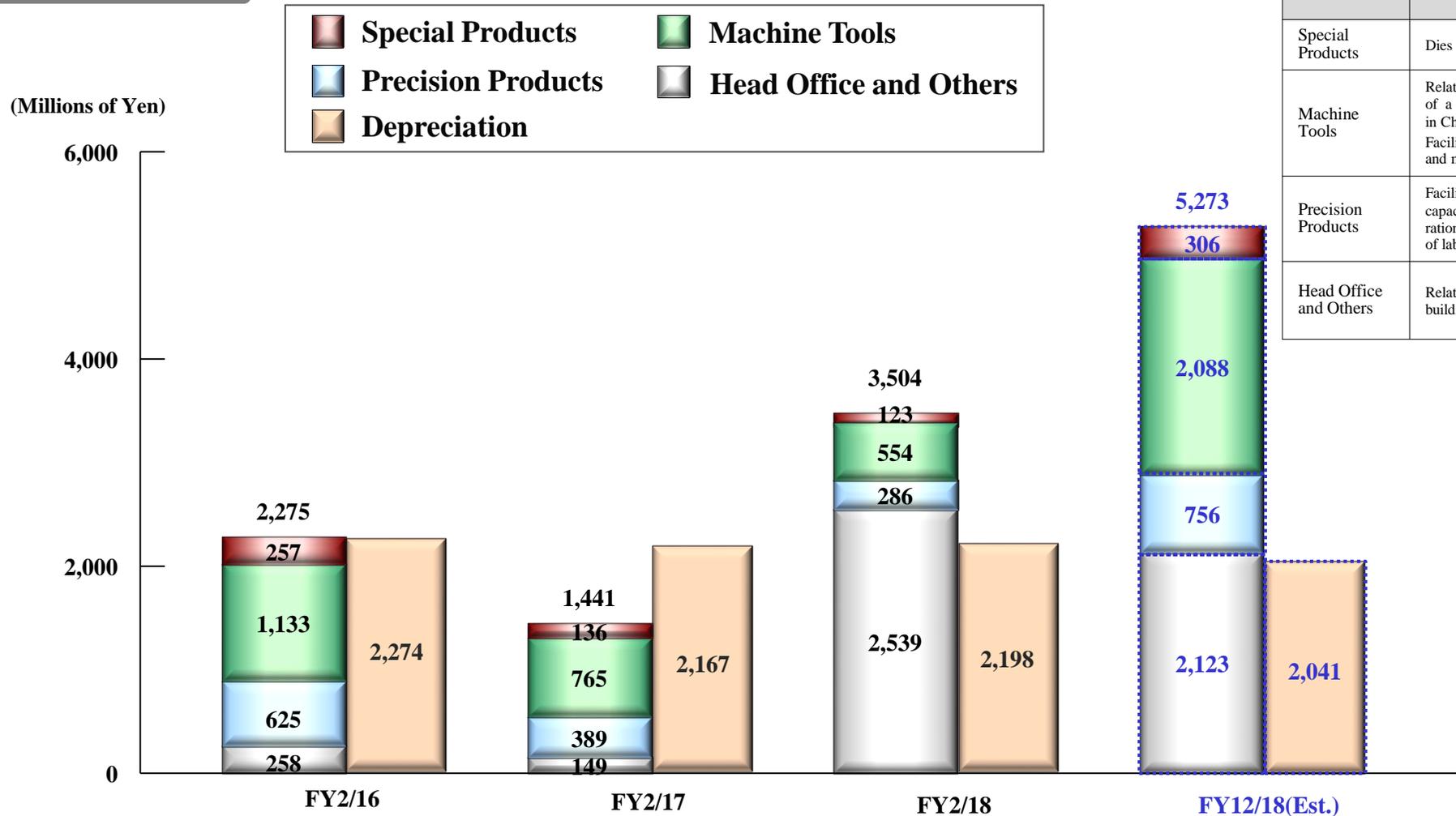
- Sales of wristwatch components increased. Despite the impact from production adjustments at wristwatch makers in the first half of the fiscal year, this increase was mainly due to firm sales trends over the second half.
- Sales of non-wristwatch declined. Despite robust sales trends in medical-related components and other products, this result was largely attributable to the downturn in HDD and automotive components.

※Business results forecasts for the fiscal year ending February 28, 2019, which are provided for reference only, are computed based on the previous accounting period (12 months) in order to facilitate a comparison on equal terms with business results for the fiscal year ended February 28, 2018.

Capital Investment / R&D Costs



Capital Investment



【Main Capital Investment Plans】

	Breakdown
Special Products	Dies for new models, etc.
Machine Tools	Related to the construction of a new factory building in China Facilities for replacement and maintenance
Precision Products	Facility for increase capacity and rationalization, elimination of labor
Head Office and Others	Related to new head office building, etc.

R&D Costs

(Millions of Yen)

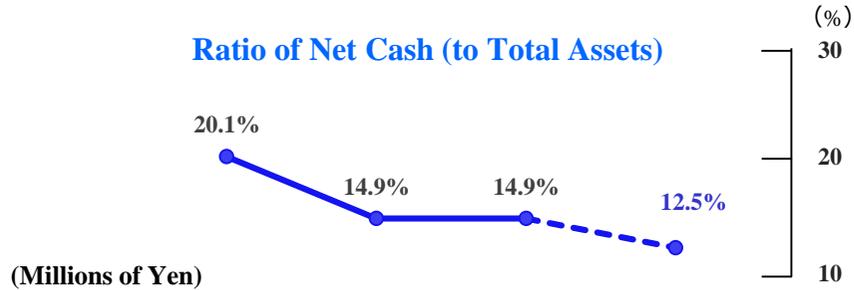
	FY2/16	FY2/17	FY2/18	FY12/18(Est.)
R&D costs	2,005	2,032	1,994	1,394

Balance Sheets



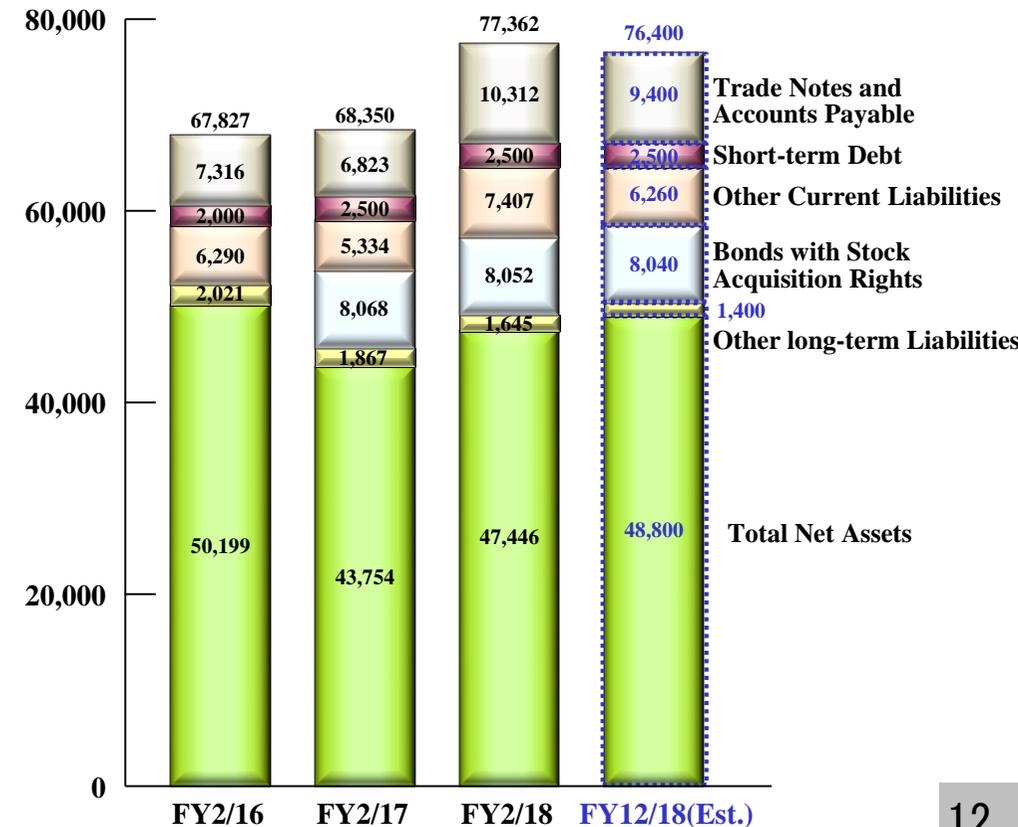
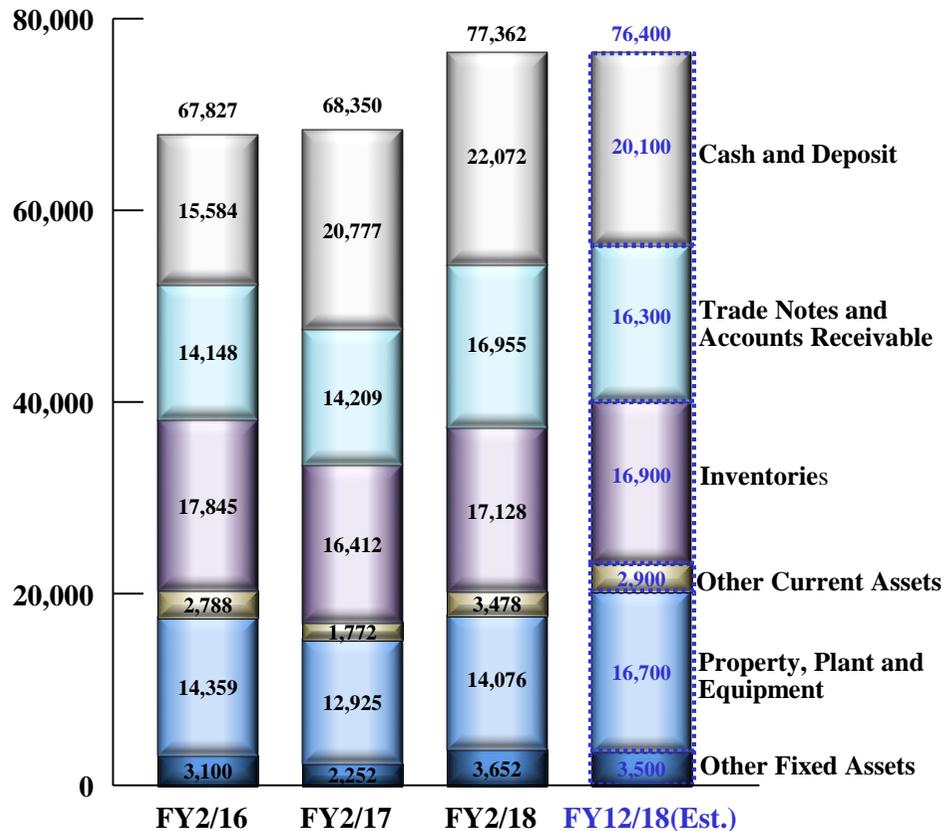
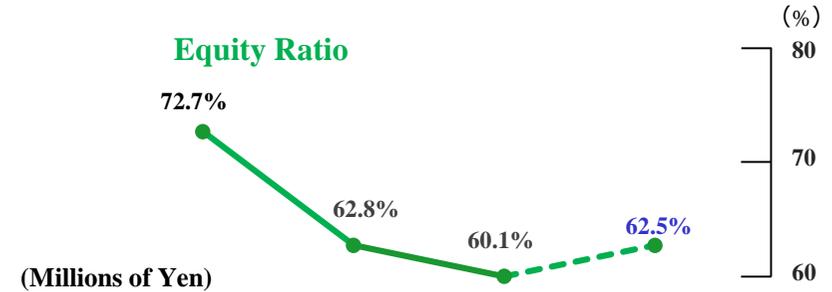
Assets

Ratio of Net Cash (to Total Assets)

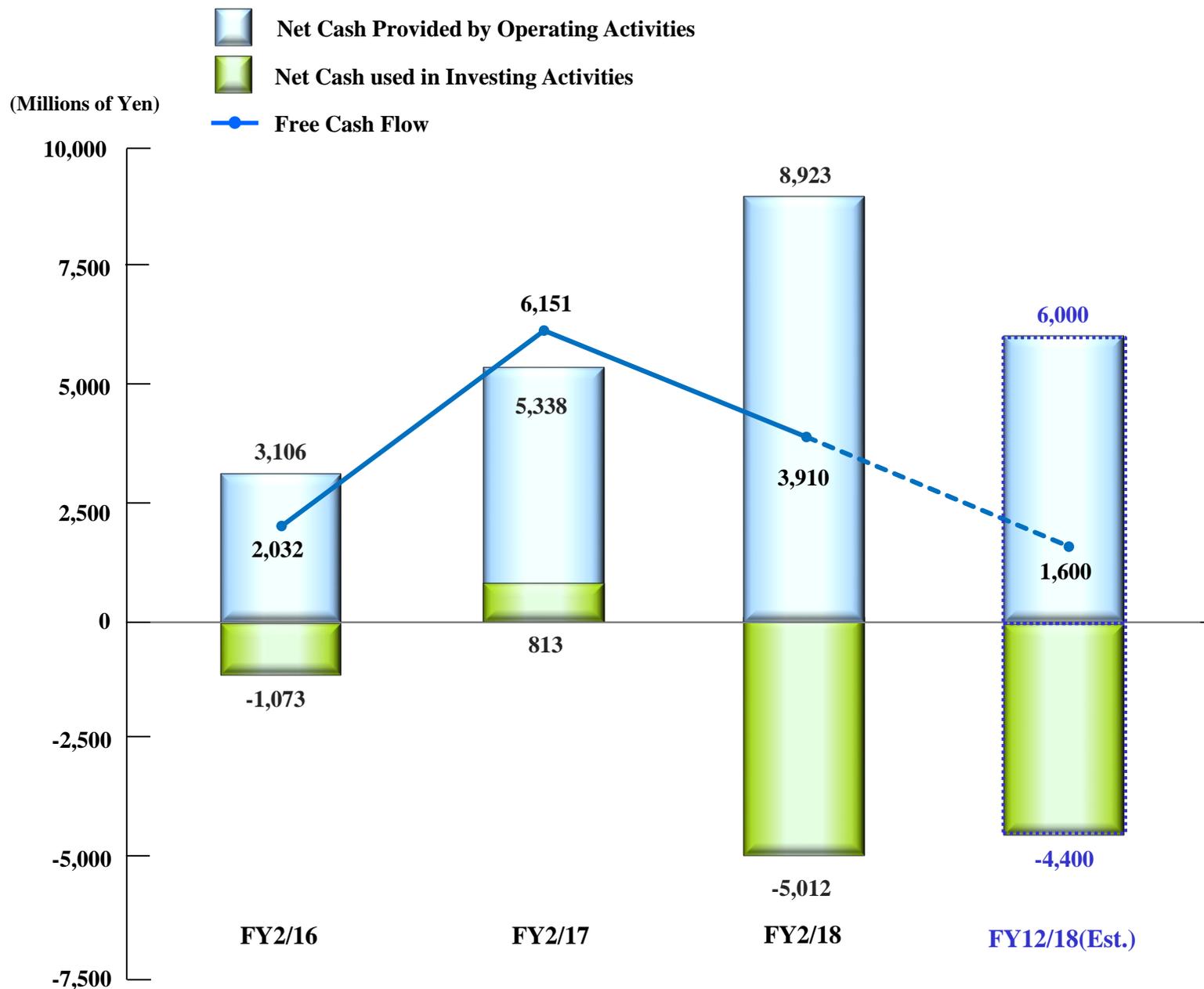


Liabilities/Net assets

Equity Ratio

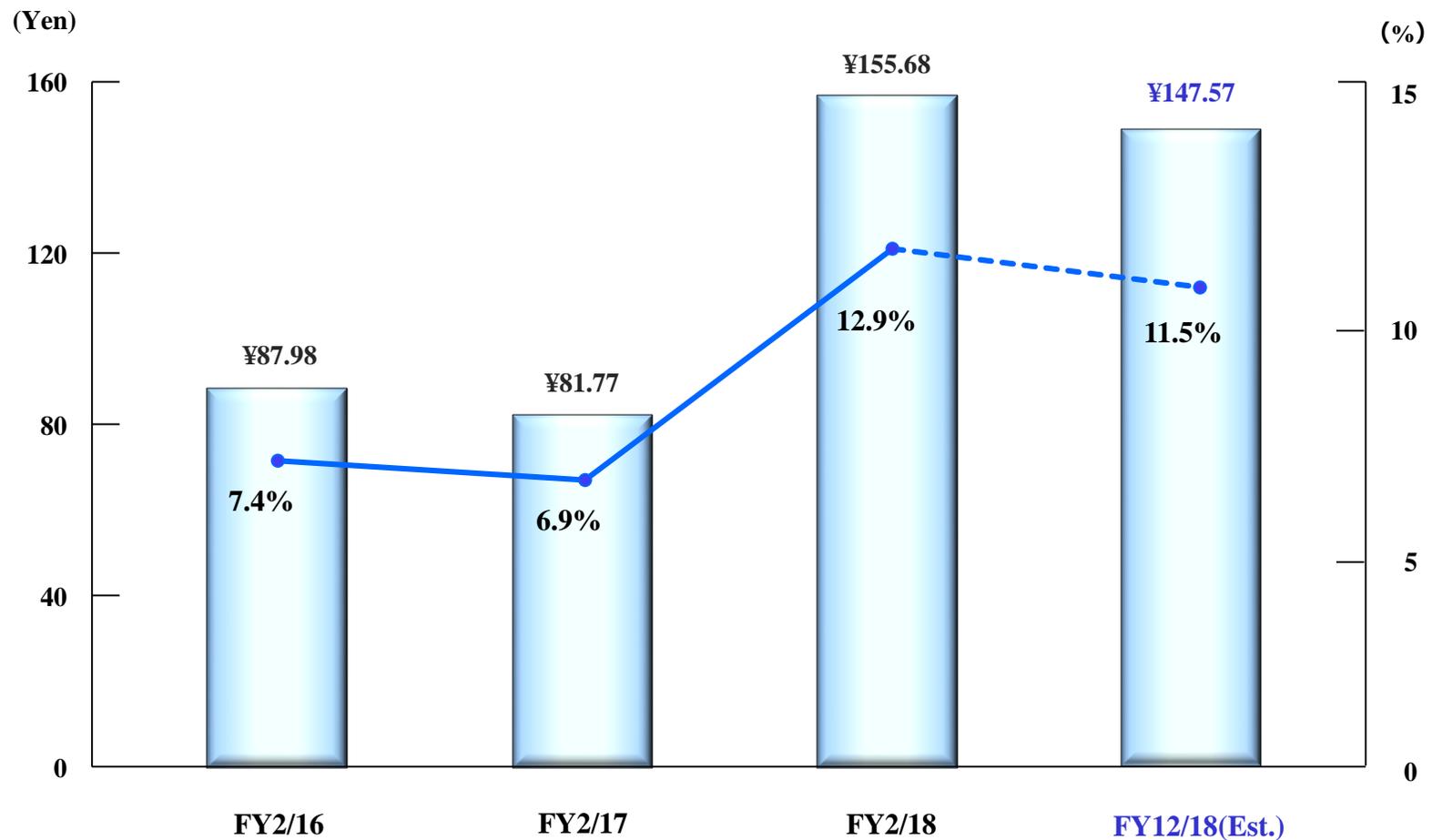


Cash Flows



Key Financial Indicators

■ EPS (Earnings per Share)
● ROE (Return on Equity)

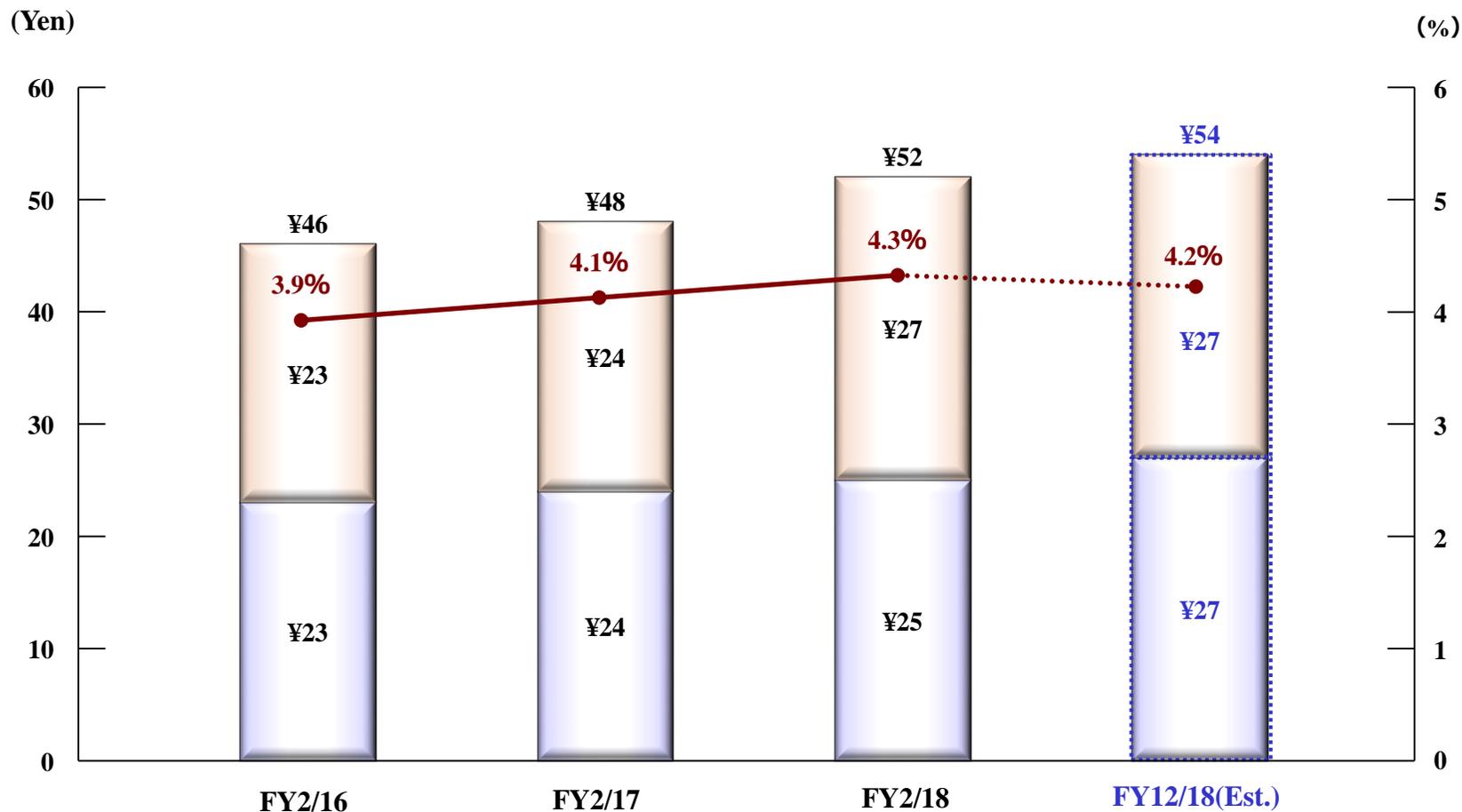


Returns to Shareholders



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

Year-end Dividend per Share
 Interim Dividend per Share
 DOE (Dividend on Equity)

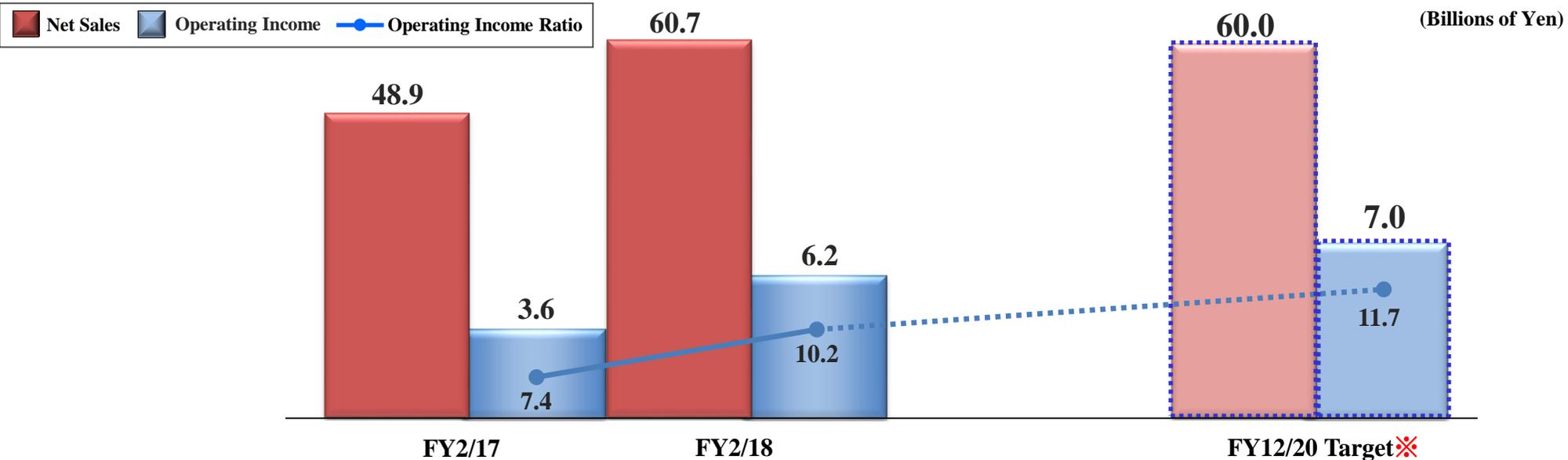


Total Payout Ratio	52.3%	257.3%	53.1%	54.9%
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Progress under the Medium-Term Management Plan

Progress under the Medium-Term Management Plan

Exceeded sales target in the first year of the Medium-Term Management Plan on the back of robust results in the Machine Tools Segment. Operating income also progressing at a high level.



ROE		6.9%	12.9%	12.0% or more
DOE		4.1%	4.3%	4.5% or more
Dividends per Share		¥48	¥52	¥60
Total Payout Ratio		257.3%	53.1%	50.0% or more
Exchange Rate	US \$	¥108.87	¥112.19	¥110.00
	EUR	¥120.36	¥126.66	¥115.00

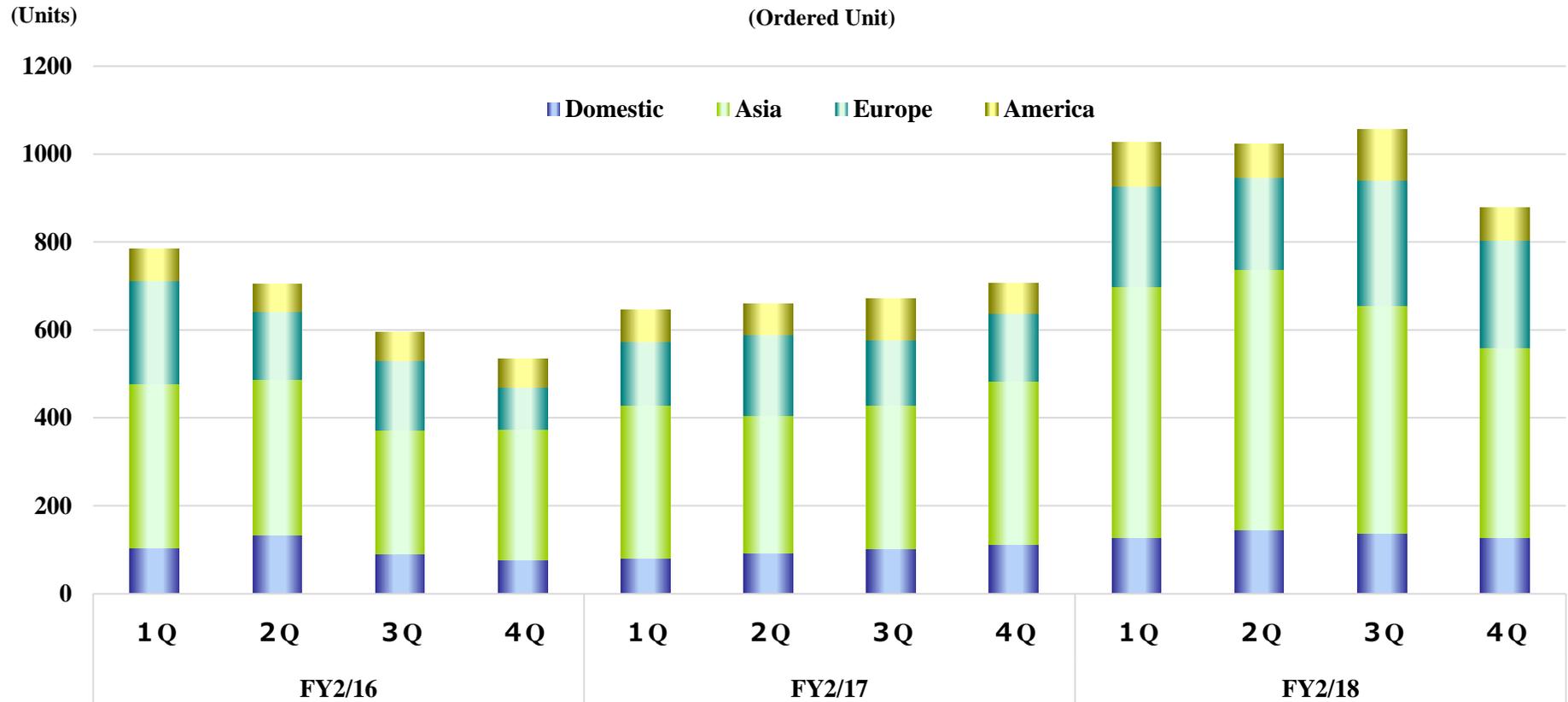
※Star Micronics plans to change the term of its next fiscal period from February to December. As a result, the Company will also realign the quantitative targets initially set for the fiscal year ending February 28, 2021 under its Medium-Term Management Plan to the fiscal year ending December 31, 2020.

Achievements and Challenges

	Strategies (Principal Initiatives)	Achievements and Challenges
<p>Special Products</p>	<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"> ■ Launched mCollection™, a new brand of peripherals for the mPOS market ■ Established a new European sales base in Germany ■ Reorganize the business division with a view to strengthening supply chain management  <p>mCollection™</p>
<p>Machine Tools</p>	<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"> ■ Pursue the development of fixed headstock automatic lathes ■ Pursued the development of operation monitoring systems ■ Upgraded and expanded the lineup of modular design and production products ■ Resolved to construct a new factory building at the Company's Dalian Plant in China  <p>New factory building at the Company's Dalian Plant in China</p>
<p>Precision Products</p>	<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"> ■ Reorganize overseas production bases to address the drop in demand for HDD components ■ Newly introduce automated and unmanned equipment
<p>New Business</p>	<ul style="list-style-type: none"> ■ M&A and business alliances, etc ■ Vibration Power Generators ■ Cloud Services 	<ul style="list-style-type: none"> ■ Promote business alliances ■ Withdrew from the vibration power generator business ■ Reviewed the cloud service business structure and systems

Reference

Trends in Quarterly Machine Tool Orders



	3-5	6-8	9-11	12-2	3-5	6-8	9-11	12-2	3-5	6-8	9-11	12-2
America	74	63	66	66	73	72	94	69	99	76	115	75
Europe	233	155	157	95	144	183	148	155	228	209	287	245
Asia	373	354	281	298	347	313	326	371	571	592	517	432
Domestic	105	133	91	76	81	92	102	112	128	145	137	127
Total	785	705	595	535	645	660	670	707	1,026	1,022	1,056	879

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)
FY2/09	56,952	8,544	15.0	8,923	15.7	4,338	7.6	85.66	7.3	3.8	45.0
FY2/10	29,180	(3,984)	-	(3,884)	-	(8,555)	-	(187.95)	-	2.2	22.0
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(Est.)	56,000	6,900	12.3	7,000	12.5	5,400	9.6	147.57	11.5	4.2	54.0

Special Products



Cash Drawer and Receipt Printer
mPOP



POS Printer
TSP100III



Mobile Printer
SM-L200

Machine Tools



CNC Swiss Type Automatic Lathe
SV-20R



CNC Swiss Type Automatic Lathe
SR-38 type B



CNC Swiss Type Automatic Lathe
SR-32JII type B

Precision Products

Wristwatch Components



Non-Wristwatch Components

(Automotive, Air Conditioning, HDD and Medical Components)



(Automotive Components)