

September 30, 2015

## Fiscal 2016 Second-quarter Consolidated Earnings Report

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange  
Code: 7718 URL <http://www.star-m.jp>  
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Scheduled release of fiscal 2016 Second-quarter Business Report: October 14, 2015

Scheduled payment of dividends: November 10, 2015

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: Yes

(Figures less than one million are rounded down)

### 1. Results for the Second Quarter of Fiscal 2016 (March 1, 2015 to August 31, 2015)

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended August 31, 2015	27,173	19.0	2,853	23.6	2,471	(1.3)	1,856	(12.2)
Six months ended August 31, 2014	22,843	18.6	2,307	363.1	2,503	200.3	2,115	831.4

(Note) Comprehensive income

FY2016 Second Quarter ¥2,122 million( 61.2% ) FY2015 Second Quarter ¥1,316 million( 59.3% )

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
Six months ended August 31, 2015	43.92	43.75
Six months ended August 31, 2014	50.20	50.09

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of August 31, 2015	69,841	51,361	72.3
As of February 28, 2015	70,260	51,902	72.4

Reference: Shareholders' Equity

As of August 31, 2015 ¥50,464 million As of February 28, 2015 ¥50,887 million

### 2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2015	—	19.00	—	25.00	44.00
FY2016	—	23.00	—	—	—
FY2016 (projected)	—	—	—	23.00	46.00

(Note) Changes to the latest dividend forecast announced: None

### 3. Consolidated Outlook for the Fiscal Year Ending February 29, 2016 (From March 1, 2015 to February 29, 2016)

(Percentages represent changes over the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Year	55,500	8.9	6,500	18.7	6,200	0.8	4,700	0.1	111.15

(Note) Changes to the latest consolidated results forecast announced: Yes

\*Notes

- (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) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements: None
- (3) 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

- (4) Number of shares issued and outstanding (common stock)

- (i) Number of shares issued and outstanding at period-end (including treasury stock)

As of August 31, 2015	47,033,234 shares	As of February 28, 2015	47,033,234 shares
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- (ii) Number of treasury stock at period-end

As of August 31, 2015	4,731,874 shares	As of February 28, 2015	4,806,584 shares
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- (iii) Average number of outstanding shares (during the six months ended August 31)

As of August 31, 2015	42,269,988 shares	As of August 31, 2014	42,136,223 shares
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\* Disclosure regarding progress of quarterly review procedures

This quarterly earnings report is not subject to quarterly reviews stipulated in the Financial Instruments and Exchange Act of Japan. As of the time this report was released, the Company has not completed review procedures for the quarterly consolidated financial statements based on the Financial Instruments and Exchange Act.

\* Regarding the appropriate use of earnings projections and other noteworthy matters

The above projections are based on information available at the time of release of this report and certain assumptions the Company considers reasonable. 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 "(3) Explanation Concerning the Consolidated Earnings Projections and Other Forecasts " under "1. Qualitative Financial Information" on page 4.

## **1. Qualitative Financial Information**

### **(1) Qualitative Information Related to Consolidated Operating Results**

Looking at economic conditions during the second quarter cumulative period, the six months from March 1, 2015 to August 31, 2015, of fiscal 2016, the fiscal year ending February 29, 2016, the U.S. economy exhibited a steady recovery trend. While Europe continued to experience a modest positive turnaround, in Asia the rates of economic growth in China and Southeast Asia slowed. While there were instances on the domestic front where economic conditions stalled, Japan's moderate recovery was ongoing.

In the major markets in which the Star Micronics Group operates, levels of demand in the machine tools market in Japan and overseas were robust. In the Special Products Segment, the POS-related markets experienced weak demand in the U.S. and Europe. In the markets related to precision products, there was strong demand for wristwatch as well as medical equipment-related components.

The exchange rate during the second quarter cumulative period of fiscal 2016 reflected a depreciation of the yen against the U.S. dollar and an appreciation of the yen against the euro compared with the corresponding period of the previous fiscal year.

Amid this environment, the Star Micronics Group reported an increase in sales led mainly by growth in the Machine Tools Segment. Taking into account the added favorable effects of depreciation in the value of the yen, consolidated net sales climbed 19.0% compared with the corresponding period of the previous fiscal year to ¥27,173 million. From a profit perspective, operating income came to ¥2,853 million, an increase of 23.6% year on year. Due to the incidence of a foreign exchange loss totaling ¥580 million recorded as a non-operating expense and other factors, ordinary income declined 1.3% compared with the corresponding period of the previous fiscal year to ¥2,471 million and net income amounted to ¥1,856 million, down 12.2% year on year.

Performance by segment was as follows:

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

In POS printers, sales decreased owing mainly to the negative impact of inventory adjustments by sales agents in the U.S. market. While the pace of market recovery in Europe stalled, sales in this region increased. This was largely attributable to depreciation in the value of the yen. In the Asian market, sales declined due mainly to the sluggish performance in China. Owing to such factors as the absence of large-scale orders, sales in the domestic Japanese market also declined.

Accounting for each of these factors, sales in the Special Products Segment decreased 3.6% compared with the corresponding period of the previous fiscal year to ¥5,396 million. Operating income also declined 32.7% year on year to ¥637 million as a result of the incidence of new business development and other expenses.

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

In CNC automatic lathes, sales in the United States increased substantially with firm results in the medical equipment-related sector. In Europe, sales also increased mainly on the back of robust results in the automotive-related sectors. Sales grew significantly in the Asian market. This was largely attributable to strong sales in the automobile-related sector primarily in East Asia. While market conditions spearheaded by the automobile-related sector were sound, sales in the Japanese market were on a par with levels recorded in the corresponding period of the previous fiscal year.

As a result, sales and profits increased substantially in the Machine Tools Segment. In specific terms, sales climbed 28.9% compared with the corresponding period of the previous fiscal year to ¥19,238 million and operating income improved 36.9% year on year to ¥2,976 million.

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

Sales of wristwatch components increased due to strong sales to wristwatch makers. In addition to the positive effects of depreciation in the value of the yen, sales of non-wristwatch components also increased owing primarily to robust sales of medical equipment-related components.

As a result, sales and profits increased substantially in the Precision Products Segment. Sales grew 9.4% compared with the corresponding period of the previous fiscal year to ¥2,538 million and operating income improved 7.7% year on year to ¥359 million.

## **(2) Explanation Concerning Financial Position**

Total assets as of the end of the second quarter of the fiscal year under review stood at ¥69,841 million, a decrease of ¥419 million. Despite an increase in inventories and trade receivables, this was mainly attributable to a drop in the balances of such asset accounting line items as cash and deposits as well as investment securities.

Total liabilities came in at ¥18,479 million, an increase of ¥121 million compared with the previous fiscal year-end. Despite the decline in such items as other current liabilities and trade payables, this increase in total liabilities was largely due to an increase in the net defined benefit liability associated with the application of the accounting standard for retirement benefits.

Total net assets declined ¥540 million compared with the end of the previous fiscal year to ¥51,361 million. This mainly reflected a drop in the balance of retained earnings in line with the application of the accounting standard for retirement benefits.

## **(3) Explanation Concerning the Consolidated Earnings Projections and Other Forecasts**

Turning to trends in the global economy going forward, the modest overall recovery is expected to continue spearheaded by the United States although the future appears clouded due to a variety of factors including concerns surrounding a slowdown in the rate of growth in China .

Under these circumstances, and in light of the Company's business performance for the second quarter cumulative period of the fiscal year ending February 29, 2016, Star Micronics is projecting an improvement in both consolidated revenue and earnings for the full fiscal year. In specific terms, net sales is forecast to grow 8.9% compared with the previous fiscal year to ¥55,500 million. From a year-on-year profit perspective, operating income is anticipated to come in at ¥6,500 million, up 18.7%, ordinary income at ¥6,200 million, up 0.8%, and net income at ¥4,700 million, up 0.1%.

These projections assume a foreign exchange rate of ¥120 to US\$1, and ¥130 to 1 euro for the third and fourth quarters of the year ending February 29, 2016.