

## Fiscal 2019 First-quarter Consolidated Earnings Report (Japanese GAAP)

These financial statements have been prepared for reference in accordance with accounting principles and practices generally accepted in Japan.

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange  
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Scheduled release of Fiscal 2019 First-quarter Business Report: May 14, 2019  
Scheduled payment of dividends: -  
Preparation of supplementary explanatory materials for quarterly earnings report: Yes  
Quarterly earnings presentation: None

(Figures less than one million are rounded down)

### 1. Results for the First Quarter of Fiscal 2019 (From January 1, 2019 to March 31, 2019)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
FY 2019 First Quarter	14,323	—	1,333	—	1,535	—	1,100	—
FY 2018 First Quarter	23,884	—	4,006	—	4,069	—	3,320	—

(Note) Comprehensive income FY 2019 First Quarter ¥1,269 million [—%] FY 2018 First Quarter ¥2,261 million [—%]

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY 2019 First Quarter	30.68	26.70
FY 2018 First Quarter	90.16	79.22

As the previous fiscal year was a transitional period, the consolidated fiscal year for consolidated companies whose fiscal year previously ended in February was the 3-months from March 1, 2018 to May 31, 2018, and for consolidated companies whose fiscal year ended in December was the 5-months from January 1, 2018 to May 31, 2018. On light of the aforementioned, details of the rate of change compared with the corresponding period of the previous year have been omitted.

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of March 31, 2019	81,418	49,667	59.6
As of December 31, 2018	79,935	49,311	60.3

Reference: Shareholders' Equity

As of March 31, 2019 ¥48,544 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.

### 2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2018	—	27.00	—	27.00	54.00
FY 2019	—				
FY 2019(projected)		28.00	—	28.00	56.00

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

3. Consolidated Outlook for the Fiscal Year Ending December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Percentages represent changes over the corresponding period of 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	32,800	—	4,300	—	4,400	—	3,100	—	86.44
Full Year	66,200	—	8,800	—	9,000	—	6,300	—	175.98

(Note) Changes to the latest consolidated results forecast announced: None

As the previous fiscal year was a transitional period, the consolidated fiscal year for consolidated companies whose fiscal year previously ended in February was the 10-months from March 1, 2018 to December 31, 2018, and for consolidated companies whose fiscal year ended in December was the 12-months from January 1, 2018 to December 31, 2018. On light of the aforementioned, details of the rate of change compared with the corresponding period of the previous year have been omitted.

\*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) 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

(Note) For details, please refer to (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" under "2. Quarterly Consolidated Financial Statements and Major Notes" on page 7.

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

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

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

As of March 31, 2019	9,884,470 shares	As of December 31, 2018	9,910,156 shares
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(iii) Average number of outstanding shares (During the three months ended March 31)

As of March 31, 2019	35,874,625 shares	As of May 31, 2018	36,830,711 shares
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\* This quarterly earnings report is not subject to quarterly reviews.

\* 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. 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 "(3) Explanation of the Consolidated Earnings Projections and Other Forecasts" under "1. Qualitative Information regarding Quarterly Consolidated Business Performance" on page 2.

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## 1. Qualitative Information regarding Quarterly Consolidated Business Performance

As the previous fiscal year was a transitional period, the consolidated fiscal year for consolidated companies whose fiscal year previously ended in February was the three months from March 1, 2018 to May 31, 2018, and for consolidated companies whose fiscal year ended in December was the five months from January 1, 2018 to May 31, 2018. On light of the aforementioned, details of any increase or decrease compared with the corresponding period of the previous year have been omitted.

### (1) Explanation of Consolidated Operating Results

Looking at the major markets in which the Star Micronics Group operates, and with the exception of the wait-and-see attitude emerging toward the prolonged period of uncertainty surrounding the U.K.'s exit from the European Union throughout Europe, overall demand in the Company-related machine tools market remained high during the first quarter of fiscal 12/2019. In the POS-related market in the Special Products Segment, operating conditions were mixed. On the one hand, demand was firm mainly in Japan. On the other hand, demand was slightly weak in overseas markets. In precision products-related markets, demand was sluggish for both wristwatch and non-wristwatch components.

Under these circumstances, the Start Micronics Group reported sales of ¥14,323 million for the first quarter of the fiscal year under review. From a profit perspective, operating income came to ¥1,333 million, ordinary income was ¥1,535 million, and net income attributable to owners of parent amounted to ¥1,100 million.

Performance by segment was as follows:

#### (Special Products)

In POS printers, sales were weak in the U.S. market. This largely reflected the impact of inventory adjustments by sales agents. Sales were also sluggish in Europe due mainly to the slowdown in market conditions and the sense of uncertainty. Demand for dot-matrix printers slumped in China. Owing to this and other factors, sales in the Asia market were dull. On a positive note, sales in Japan were firm. This was primarily due to market activity in the leadup to the consumption tax rate hike.

As a result, sales in the Special Products Segment came to ¥2,618 million and operating income was ¥304 million.

#### (Machine Tools)

In CNC automatic lathes, sales were sluggish. In addition to firm demand in the U.S. market centered on the medical equipment-related sector and signs of a cautious approach adopted toward capital expenditures in Europe, this sluggish trend in sales largely reflected corrections to the sales brought forward as of the end of the previous fiscal year and insufficient supply of top selling models. Turning to the Asian market, sales were robust in the medical- and telecommunications-related markets in China. While there were indications that a portion of demand had stalled in Japan, sales were firm focusing mainly on the domestic automobile-related market.

As a result, the Machine Tool Segment reported sales of ¥10,970 million and operating income of ¥1,664 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 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 ¥734 million operating income of ¥32 million.

### (2) Explanation of Financial Position

Total assets as of the end of the first quarter of the current fiscal year stood at ¥81,418 million, an increase of ¥1,483 million compared with the end of the previous fiscal year. Despite a decrease in trade receivables, this increase was largely due to the upswing in inventories and property, plant and equipment. Total liabilities came in at ¥31,750 million, an increase of ¥1,127 million compared with the previous fiscal year-end. This was mainly due to the increase in trade payables. Total net assets increased ¥356 million compared with the end of the previous fiscal year, to ¥49,667 million. This mainly reflected the increase in retained earnings.

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 to facilitate comparisons.

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

Earnings projections remain unchanged from the projections announced on February 13, 2019.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of December 31, 2018	As of March 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	20,879,679	21,268,946
Trade notes and accounts receivable	18,756,178	16,367,240
Securities	500,000	500,000
Merchandise and finished goods	10,047,819	12,034,321
Work in process	4,539,076	5,016,111
Raw materials and supplies	3,195,901	3,248,151
Other	2,137,540	1,989,548
Allowance for doubtful accounts	(141,988)	(134,774)
<b>Total current assets</b>	<b>59,914,206</b>	<b>60,289,545</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,369,154	8,249,559
Machinery, equipment and vehicles, net	3,098,228	3,556,418
Tools, furniture and fixtures, net	1,415,613	1,371,293
Land	2,553,740	2,560,265
Lease assets, net	61,201	51,330
Construction in progress	23,093	99,910
Other, net	—	750,893
<b>Total property, plant and equipment</b>	<b>15,521,032</b>	<b>16,639,672</b>
Intangible assets		
Other	867,450	456,703
<b>Total intangible assets</b>	<b>867,450</b>	<b>456,703</b>
Investments and other assets		
Investment securities	1,782,548	1,952,884
Deferred tax assets	1,490,515	1,709,074
Other	359,458	370,512
<b>Total investments and other assets</b>	<b>3,632,522</b>	<b>4,032,471</b>
<b>Total Non-current assets</b>	<b>20,021,005</b>	<b>21,128,847</b>
<b>Total assets</b>	<b>79,935,211</b>	<b>81,418,393</b>

(Unit: Thousands of yen)

	As of December 31, 2018	As of March 31, 2019
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	6,921,278	7,565,666
Electronically recorded obligations-operating	3,510,823	3,737,203
Short-term loans payable	2,500,000	2,500,000
Lease obligations	24,391	22,980
Income taxes payable	820,964	1,000,253
Provision for bonuses	977,117	1,358,301
Provision for directors' bonuses	—	11,000
Other	5,822,803	5,303,473
Total current liabilities	20,577,379	21,498,878
Non-current liabilities		
Convertible bonds	8,038,666	8,034,666
Lease obligations	41,384	32,494
Net defined benefit liability	1,751,800	1,718,957
Other	214,273	465,678
Total non-current liabilities	10,046,124	10,251,797
Total liabilities	30,623,504	31,750,675
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	13,876,517	13,884,427
Retained earnings	36,461,396	36,593,855
Treasury stock	(12,067,694)	(12,036,453)
Total shareholders' equity	50,992,158	51,163,769
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	86,599	112,529
Foreign currency translation adjustments	(2,300,978)	(2,232,294)
Remeasurements of defined benefit plans	(540,349)	(499,621)
Total accumulated other comprehensive income	(2,754,727)	(2,619,386)
Stock acquisition rights	314,527	330,581
Noncontrolling interests	759,749	792,753
Total net assets	49,311,707	49,667,718
Total liabilities and net assets	79,935,211	81,418,393

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

(Quarterly Consolidated Statement of Income)

(First three-month period)

(Unit: Thousands of yen)

	<b>First three-month period from March 1, 2018 to May 31, 2018, of FY2018</b>	<b>First three-month period from January 1, 2019 to March 31, 2019, of FY2019</b>
Net sales	23,884,239	14,323,143
Cost of sales	14,480,987	8,954,768
Gross profit	9,403,252	5,368,374
Selling, general and administrative expenses	5,396,966	4,035,214
Operating income	4,006,285	1,333,160
Non-operating income		
Interest income	59,329	49,286
Dividend income	3,188	—
Gain on valuation of investment securities	11,155	61,380
Foreign exchange gains	—	21,928
Rent income	14,245	14,164
Miscellaneous income	60,273	77,171
Total non-operating income	148,191	223,930
Non-operating expenses		
Interest expense	2,987	1,756
Foreign exchange loss-net	74,442	—
Cost of lease revenue	996	586
Miscellaneous loss	6,922	19,168
Total non-operating expenses	85,349	21,511
Ordinary income	4,069,127	1,535,580
Extraordinary income		
Gain on sales of non-current assets	1,487	2,877
Total extraordinary income	1,487	2,877
Extraordinary losses		
Loss on disposal of non-current assets	2,536	38,471
Total extraordinary losses	2,536	38,471
Income before income taxes	4,068,078	1,499,986
Income taxes-current	699,870	616,802
Income taxes-deferred	(14,736)	(235,149)
Total income taxes	685,134	381,653
Net income	3,382,943	1,118,332
Net income attributable to noncontrolling interests	62,249	17,597
Net income attributable to owners of the parent	3,320,693	1,100,735

(Quarterly Consolidated Statement of Comprehensive Income)  
(First three-month period)

(Unit: Thousands of yen)

	<b>First three-month period from March 1, 2018 to May 31, 2018, of FY2018</b>	<b>First three-month period from January 1, 2019 to March 31, 2019, of FY2019</b>
Net income	3,382,943	1,118,332
Other comprehensive income		
Valuation difference on available-for-sale securities	(22,673)	25,929
Foreign currency translation adjustments	(1,144,503)	91,609
Remeasurements of defined benefit plans	47,075	40,727
Share of other comprehensive income of entities	(1,709)	(7,519)
Total other comprehensive income	(1,121,811)	150,747
Comprehensive income	2,261,132	1,269,080
(Total comprehensive income attributable to:)		
Owners of parent	2,212,980	1,236,076
Noncontrolling interests	48,151	33,004

### **(3) Notes to Quarterly Consolidated Financial Statements**

#### **(Note on Going Concern Assumption)**

Not applicable

#### **(Note on Significant Changes in Shareholders' Equity Accounts)**

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.