

## Consolidated Earnings Report for the Fiscal Year Ended December 31, 2020 (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 25, 2021 Scheduled payment of dividends: February 26, 2021  
Scheduled release of FY2020 business report: March 26, 2021  
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, 2020 (From January 1, 2020 to December 31, 2020)

(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, 2020	45,670	(24.7)	2,172	(62.6)	2,772	(55.0)	1,731	(57.3)
Year Ended December 31, 2019	60,651	—	5,817	—	6,161	—	4,053	—

(Note) Comprehensive income

Year Ended December 31, 2020 ¥933 million [(78.1)%] Year Ended December 31, 2019 ¥4,257 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, 2020	49.07	42.46	3.5	3.7	4.8
Year Ended December 31, 2019	113.72	99.34	8.3	7.9	9.6

Reference: Equity in earnings of affiliated companies

Year Ended December 31, 2020 (¥40 million) Year Ended December 31, 2019 (¥5 million)

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2020	71,621	49,821	68.2	1,383.41
As of December 31, 2019	76,393	50,789	65.2	1,413.50

Reference: Shareholders' Equity As of December 31, 2020 ¥48,840 million As of December 31, 2019 ¥49,825 million

### (3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Year-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year Ended December 31, 2020	6,842	(1,252)	(2,136)	23,029
Year Ended December 31, 2019	5,124	(3,150)	(3,014)	19,807

## 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)	%	%
FY2019	—	28.00	—	28.00	56.00	1,992	49.2	4.1
FY2020	—	28.00	—	30.00	58.00	2,047	118.2	4.1
FY2021(Projected)	—	29.00	—	29.00	58.00		62.1	

### 3. Consolidated Outlook for the Fiscal Year Ending December 31, 2021 (From January 1, 2021 to December 31, 2021)

(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	21,800	3.4	1,000	59.6	1,100	80.5	900	—	25.49
Full Year	52,000	13.9	4,200	93.3	4,400	58.7	3,300	90.6	93.47

\*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: None  
 (ii) Changes other than those in (i) above: None  
 (iii) Changes in accounting estimates: None  
 (iv) Retrospective restatement: None
- (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, 2020	45,091,334 shares	As of December 31, 2019	45,091,334 shares
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(ii) Number of treasury stock at period-end

As of December 31, 2020	9,787,046 shares	As of December 31, 2019	9,841,986 shares
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(iii) Average number of outstanding shares

As of December 31, 2020	35,287,048 shares	As of December 31, 2019	35,647,778 shares
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(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Results for the Fiscal Year Ended December 31, 2020 (January 1, 2020 to December 31, 2020)

(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, 2020	22,251	(39.8)	(1,816)	—	8	(99.8)	501	(85.2)
Year Ended December 31, 2019	36,944	—	2,050	—	4,549	—	3,388	—

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended December 31, 2020	14.20	11.87
Year Ended December 31, 2019	95.05	82.94

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2020	52,599	34,797	65.3	973.49
As of December 31, 2019	57,175	36,276	62.7	1,017.18

Reference: Shareholders' Equity

As of December 31, 2020 ¥34,368 million As of December 31, 2019 ¥35,854 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

### (1) Overview of Operating Results for the Year Ended December 31, 2020

Looking at the fiscal year under review, economic conditions deteriorated significantly owing to the spread of COVID-19 worldwide, which restricted economic activity. As one of the first countries to resume economic activity in Asia, China saw its economy progress toward a recovery. Despite signs of a positive turnaround in the U.S. and Europe, overall trends remain sluggish. On the domestic front, there were also indications of improvement. However, the Japanese economy was generally weak.

Despite exhibiting a recovery trend in the second half, demand fell sharply mainly in the first half in each of the major markets in which the Star Micronics Group operates largely as a result of COVID-19. While POS-related demand in the U.S. market was relatively firm, activity in other markets declined substantially. Notwithstanding an ongoing pickup in China, demand in the mainstay Machine Tools Segment also experienced a dramatic decline in other markets.

Under these circumstances, the Star Micronics Group reported sales of ¥45,670 million for the fiscal year under review, down 24.7% year on year. This decrease was mainly due to the substantial downturn in sales of machine tools. From a profit perspective, operating income came to ¥2,172 million, a decrease of 62.6% compared with the previous fiscal year owing largely to the drop in sales. Ordinary income declined 55.0%, to ¥2,772 million and net income attributable to owners of parent amounted to ¥1,731 million, a downturn of 57.3% year on year.

Performance by segment was as follows:

#### (Special Products)

Amid the impact from the COVID-19 pandemic in each market, sales of POS printers increased in the U.S. market due, for example, to favorable sales for food deliveries. In contrast, conditions in the European market were sluggish, and in Japan reaction to the last-minute demand in the lead-up to the 2019 consumption tax rate hike spilled over into the fiscal year under review, resulting in a decrease in sales in both of these markets.

As a result, sales and profits decreased in the Special Products Segment. In specific terms, sales decreased 6.6% compared with the corresponding period of the previous fiscal year, to ¥11,720 million and operating income decreased 4.2% year on year, to ¥1,545 million.

#### (Machine Tools)

Impacted by the COVID-19 pandemic, sales for CNC automatic lathes declined substantially. This was due to a variety of factors including restrictions on sales activities in the U.S. market. Despite initial signs of a recovery over the second half, results were also affected by a downturn in the automobile-related markets of Europe and Japan. Turning to the Asian market, demand was quick to recover in China. As a result, sales were in line with the previous fiscal year.

As a result, sales and profits decreased substantially in the Machine Tools Segment. In specific terms, sales decreased 26.6% compared with the corresponding period of the previous fiscal year, to ¥32,966 million and operating income decreased 58.7% year on year, to ¥2,614 million.

#### (Precision Products)

Sales of wristwatch components declined significantly due to the sluggish sales at wristwatch makers suffering from the effects of the COVID-19 pandemic. The Company fundamentally withdrew from non-wristwatch component operations as of the end of March 2020.

As a result, sales and profits decreased substantially in the Precision Products Segment. In specific terms, sales decreased 69.2% compared with the corresponding period of the previous fiscal year, to ¥983 million and operating income decreased 54.8% year on year, to ¥83 million.

### (2) Overview of Financial Position for the Year Ended December 31, 2020

Despite an increase in certain items including cash and deposits, assets as of the end of the fiscal year under review were down ¥4,771 million compared with the end of the previous fiscal term to ¥71,621 million. This was mainly due to the decrease in inventory as well as property, plant and equipment. Liabilities were down ¥3,804 million compared with the end of the previous fiscal term to ¥21,799 million owing to the decline in trade payables as well as other current liabilities. Taking into consideration such factors as the downturn in foreign currency translation adjustments, net assets decreased ¥967 million from the end of the previous fiscal term to ¥49,821 million.

### (3) Overview of Cash Flows for the Year Ended December 31, 2020

Cash and cash equivalents as of the end of the fiscal year under review were ¥23,029 million, an increase of ¥3,222 million compared with the previous fiscal year-end. This was the result of net cash provided by operating activities of ¥6,842 million, partially offset by net cash used in investing and financing activities of ¥1,252 million and ¥2,136

million, respectively, and the addition of a translation adjustment on cash and cash equivalents.

(Operating Activities)

Net cash provided by operating activities totaled ¥6,842 million (¥5,124 million for the previous fiscal term). While the principal cash outflows were income taxes paid and decrease in trade payable, the major cash inflows reflected the decrease in inventories and income before income taxes.

(Investing Activities)

Net cash used in investing activities came to ¥1,252 million (¥3,150 million for the previous fiscal term). The principal cash inflow was from proceeds from sales of property, plant and equipment. The major cash outflow was for purchases of property, plant and equipment.

(Financing Activities)

Net cash used in financing activities totaled ¥2,136 million (¥3,014 million for the previous fiscal term) owing mainly to dividends paid.

(Reference) Trends in Cash Flow Related Indices

	FY2 2017	FY2 2018	FY12 2018	FY12 2019	FY12 2020
Equity Ratio (%)	62.8	60.1	60.3	65.2	68.2
Market Value Basis Equity Ratio (%)	89.1	105.4	66.9	72.7	81.5
Debt / Cash Flow Ratio(Years)	0.5	0.3	0.4	0.6	0.4
Interest Coverage Ratio(Times)	713.1	-	949.9	316.6	351.8

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**

While COVID-19 shows no sign of abating, expectations surrounding the widespread use of vaccines and additional economic stimulus measures implemented by each country continue to mount. Despite these positive factors, conditions throughout the global economy going forward remain clouded in uncertainty, owing to concerns about the impact of policy trends put forward by the new administration in the U.S. and the U.K.’s withdrawal from the European Union on the economy.

Under these circumstances, and in the context of the Company’s consolidated business performance for the coming fiscal year, sales in the mainstay Machine Tools Segment are forecast to increase. This is mainly due to robust capital investment demand in various countries beginning with China, as well as expectations surrounding automobile- and 5G-related expenditure demand for plant and equipment in the domestic and European markets. In the Special Products Segment, sales are expected to come in at around the same level as the fiscal year under review on the back of continued food delivery demand largely in the U.S. and expectations toward expansion into other regions.

Taking into account the aforementioned factors, our outlook for consolidated results in the coming fiscal year is sound. In specific terms, we expect an upswing in net sales of 13.9% compared with the fiscal year under review, to ¥52,000 million. On a year-on-year basis, operating income is forecast to expand 93.3%, to ¥4,200 million, ordinary income to climb 58.7%, to ¥4,400 million and net income attributable to owners of parent to also increase 90.6%, to ¥3,300 million in next fiscal year.

Forecasts are based on the assumptions that the yen/US dollar exchange rate will be JPY100 and the yen/Euro exchange rate will be JPY123.

**(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 ¥30 per share. Consequently, the annual dividend, including a ¥28 per share interim dividend, for the fiscal period ended December 31, 2020 will be ¥58 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, and once again based on the aforementioned policy, Star Micronics is looking to pay an interim dividend of ¥29 per share and a period-end dividend of ¥29 per share for an annual dividend of ¥58 per share, unchanged from 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, 2019	As of December 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	20,158,296	23,367,293
Trade notes and accounts receivable	14,390,556	14,295,774
Securities	500,000	1,895,760
Merchandise and finished goods	12,750,263	8,259,947
Work in process	4,486,083	3,422,980
Raw materials and supplies	2,902,351	2,440,604
Other	1,754,218	1,319,450
Allowance for doubtful accounts	(111,535)	(109,053)
<b>Total current assets</b>	<b>56,830,234</b>	<b>54,892,757</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,274,389	15,086,783
Accumulated depreciation	(7,693,417)	(7,094,995)
Buildings and structures, net	7,580,972	7,991,788
Machinery, equipment and vehicles, net	14,200,163	12,264,429
Accumulated depreciation	(10,874,128)	(9,618,506)
Machinery, equipment and vehicles, net	3,326,034	2,645,922
Tools, furniture and fixtures	8,270,311	7,809,187
Accumulated depreciation	(7,076,754)	(6,773,388)
Tools, furniture and fixtures, net	1,193,557	1,035,799
Land	2,048,347	1,889,231
Lease assets, net	170,151	158,787
Accumulated depreciation	(68,329)	(88,954)
Lease assets, net	101,821	69,832
Construction in progress	508,204	3,982
Other	893,497	893,005
Accumulated depreciation	(111,095)	(257,770)
Other, net	782,401	635,234
<b>Total property, plant and equipment</b>	<b>15,541,339</b>	<b>14,271,791</b>
Intangible assets		
Other	506,018	451,651
<b>Total intangible assets</b>	<b>506,018</b>	<b>451,651</b>
Investments and other assets		
Investment securities	2,239,005	913,965
Deferred tax assets	923,331	746,929
Other	353,852	344,735
<b>Total investments and other assets</b>	<b>3,516,189</b>	<b>2,005,630</b>
<b>Total Non-current assets</b>	<b>19,563,547</b>	<b>16,729,073</b>
<b>Total assets</b>	<b>76,393,781</b>	<b>71,621,831</b>

(Unit: Thousands of yen)

	As of December 31, 2019	As of December 31, 2020
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	4,290,386	4,509,373
Electronically recorded obligations-operating	2,961,364	1,266,992
Short-term loans payable	2,500,000	2,500,000
Current portion of convertible bonds	—	8,006,666
Lease obligations	34,817	28,657
Income taxes payable	709,354	370,143
Provision for bonuses	768,557	694,602
Other	4,664,541	3,157,642
Total current liabilities	15,929,021	20,534,078
Non-current liabilities		
Convertible bonds	8,022,666	—
Lease obligations	76,359	47,608
Net defined benefit liability	922,823	706,621
Other	653,372	511,556
Total non-current liabilities	9,675,221	1,265,786
Total liabilities	25,604,243	21,799,865
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	13,050,481	13,058,502
Retained earnings	38,541,041	38,297,686
Treasury stock	(12,144,398)	(12,076,639)
Total shareholders' equity	52,169,063	52,001,489
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	115,639	27,210
Foreign currency translation adjustments	(2,571,586)	(3,352,302)
Remeasurements of defined benefit plans	111,986	163,982
Total accumulated other comprehensive income	(2,343,960)	(3,161,109)
Stock acquisition rights	421,487	428,914
Noncontrolling interests	542,947	552,672
Total net assets	50,789,538	49,821,965
<b>Total liabilities and net assets</b>	<b>76,393,781</b>	<b>71,621,831</b>



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

(Unit: Thousands of yen)

	As of December 31, 2019 (From January 1, 2019 to December 31, 2019)	As of December 31, 2020 (From January 1, 2020 to December 31, 2020)
Net sales	60,651,792	45,670,513
Cost of sales	38,330,060	30,348,813
Gross profit	22,321,732	15,321,699
Selling, general and administrative expenses	16,504,572	13,148,771
Operating income	5,817,159	2,172,928
Non-operating income		
Interest income	205,850	176,664
Foreign exchange gains	—	265,973
Rent income	49,032	42,457
Miscellaneous income	240,761	192,578
Total non-operating income	495,644	677,674
Non-operating expenses		
Interest expense	15,732	19,870
Share of loss of entities accounted for using equity method	5,540	40,523
Foreign exchange loss-net	106,353	—
Miscellaneous loss	23,931	17,531
Total non-operating expenses	151,557	77,925
Ordinary income	6,161,247	2,772,677
Extraordinary income		
Gain on sales of non-current assets	45,238	152,211
Reversal of impairment loss	235,879	—
Total extraordinary income	281,118	152,211
Extraordinary losses		
Loss on disposal of non-current assets	164,371	37,195
Impairment loss	256,421	—
Business restructuring expenses	689,318	—
Total extraordinary losses	1,110,112	37,195
Income before income taxes	5,332,253	2,887,692
Income taxes-current	1,263,473	1,011,575
Income taxes-deferred	223,166	119,663
Total income taxes	1,486,639	1,131,238
Net income	3,845,614	1,756,453
Net income (loss) attributable to noncontrolling interests	(208,098)	24,752
Net income attributable to owners of the parent	4,053,712	1,731,701

## (Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	<b>As of December 31, 2019</b> <b>(From January 1, 2019 to</b> <b>December 31, 2019)</b>	<b>As of December 31, 2020</b> <b>(From January 1, 2020 to</b> <b>December 31, 2020)</b>
Net income	3,845,614	1,756,453
Other comprehensive income		
Valuation difference on available-for-sale securities	29,039	(88,429)
Foreign currency translation adjustments	(258,867)	(784,742)
Remeasurements of defined benefit plans	652,336	51,996
Share of other comprehensive income of entities accounted for using equity method	(10,711)	(1,650)
Total other comprehensive income	411,797	(882,826)
Comprehensive income	4,257,411	933,627
(Total comprehensive income attributable to:)		
Owners of parent	4,464,480	914,551
Noncontrolling interests	(207,068)	19,075

**(3) Consolidated Statement of Changes in Equity**

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

Fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(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	13,050,481	38,541,041	(12,144,398)	52,169,063
Changes of items during period					
Cash dividends			(1,975,056)		(1,975,056)
Net income attributable to owners of parent			1,731,701		1,731,701
Purchase of treasury stock				(233)	(233)
Disposal of treasury stock		8,021		67,993	76,015
Net changes of items other than shareholders' equity					
Net change in the year	—	(8,021)	(243,355)	67,759	(167,574)
Balance at end of current period	12,721,939	13,058,502	38,297,686	(12,076,639)	52,001,489

	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	115,639	(2,571,586)	111,986	(2,343,960)	421,487	542,947	50,789,538
Changes of items during period							
Cash dividends							(1,975,056)
Net income attributable to owners of parent							1,731,701
Purchase of treasury stock							(233)
Disposal of treasury stock							76,015
Net changes of items other than shareholders' equity	(88,429)	(780,716)	51,996	(817,149)	7,426	9,724	(799,998)
Net change in the year	(88,429)	(780,716)	51,996	(817,149)	7,426	9,724	(967,572)
Balance at end of current period	27,210	(3,352,302)	163,982	(3,161,109)	428,914	552,672	49,821,965

**(4) Consolidated Statements of Cash Flows**

(Unit: Thousands of yen)

	As of December 31, 2019 (From January 1, 2019 to December 31, 2019)	As of December 31, 2020 (From January 1, 2020 to December 31, 2020)
<b>Operating activities</b>		
Income before income taxes	5,332,253	2,887,692
Depreciation and amortization	2,418,826	2,255,193
Reversal of impairment loss	(235,879)	—
Impairment loss	256,421	—
Business restructuring expenses	689,318	—
Increase (decrease) in allowance for doubtful receivables	(29,509)	(3,427)
Increase (decrease) in net defined benefit liability	100,246	(141,230)
Interest and dividends income	(215,686)	(178,403)
Interest expenses	15,732	19,870
Loss (gain) on sales of property, plant and equipment	(45,238)	(152,211)
Loss (gain) on disposal of property, plant and equipment	164,371	37,195
Decrease (increase) in trade receivables	4,134,438	(217,566)
Decrease (increase) in inventories	(2,396,104)	5,832,294
Increase (decrease) in trade payables	(3,162,630)	(1,463,085)
Other-net	(109,976)	(499,295)
Subtotal	6,916,583	8,377,026
Interest and dividends income received	201,362	162,821
Interest expenses paid	(16,185)	(19,448)
Extra retirement payments	(421,141)	(350,428)
Income taxes refund	191,592	311,874
Income taxes paid	(1,747,789)	(1,639,066)
Net cash provided by operating activities	5,124,421	6,842,777
<b>Investing activities</b>		
Decrease (increase) in short-term investments	142,020	(600,000)
Purchase of securities	—	(200,000)
Proceeds from sales of securities	—	100,000
Purchases of property, plant and equipment	(3,575,099)	(1,954,983)
Proceeds from sales of property, plant and equipment	884,097	1,092,540
Purchases of investment securities	(853,332)	—
Proceeds from sales of investment securities	500,023	500,000
Payments into time deposits	(9,506)	(6,130)
Proceeds from withdrawal of time deposits	70,400	—
Other-net	(308,730)	(184,018)
Net cash provided by (used in) investing activities	(3,150,128)	(1,252,591)
<b>Financing activities</b>		
Repayments of finance lease obligations	(27,648)	(34,910)
Payments for purchase of treasury stock	(1,001,687)	(233)
Disposal of treasury stock	84,324	20,663
Dividends paid to shareholders	(1,974,905)	(1,977,369)
Dividends paid to noncontrolling shareholders of consolidated subsidiaries	(9,732)	(9,351)
Other-net	(85,184)	(134,949)
Net cash provided by (used in) financing activities	(3,014,832)	(2,136,152)
Foreign currency translation adjustments on cash and cash equivalents	(5,310)	(231,642)
Net increase (decrease) in cash and cash equivalents	(1,045,850)	3,222,391
Cash and cash equivalents at beginning of year	20,852,878	19,807,028
Cash and cash equivalents at end of year	19,807,028	23,029,420

## (5) Notes to the Consolidated Financial Statements

(Note on Going Concern Assumptions)

Not applicable

(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 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, 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.

Fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(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	11,720,585	32,966,684	983,242	45,670,513	—	45,670,513
Intersegment sales or transfers	—	—	—	—	—	—
Total	11,720,585	32,966,684	983,242	45,670,513	—	45,670,513
Segment profit	1,545,810	2,614,236	83,343	4,243,390	(2,070,462)	2,172,928
Segment assets	9,980,729	44,747,366	2,003,373	56,731,470	14,890,360	71,621,831
Other items:						
Depreciation	352,478	1,528,270	91,448	1,972,198	282,995	2,255,193
Investments in associates	223,134	—	—	223,134	—	223,134
Increase in property, plant and equipment and intangible assets	110,683	1,560,158	10,125	1,680,967	226,689	1,907,656

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)

	FY12/2019 (From January 1, 2019 to December 31, 2019)	FY12/2020 (From January 1, 2020 to December 31, 2020)
Net assets per share	¥1,413.50	¥1,383.41
Net income per share	¥113.72	¥49.07
Diluted net income per share	¥99.34	¥42.46

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

	FY12/2019 (From January 1, 2019 to December 31, 2019)	FY12/2020 (From January 1, 2020 to December 31, 2020)
Net income per share		
Net income attributable to owners of parent (¥ thousand)	4,053,712	1,731,701
Value not attributed to common stock (¥ thousand)	–	–
Net income attributable to common shareholders (¥ thousand)	4,053,712	1,731,701
Average number of outstanding shares (shares)	35,647,778	35,287,048
Diluted net income per share		
Net income adjustments attributable to parent company shareholders (¥ thousand)	(23,649)	(23,633)
[Interest income (¥ thousand)]	[(16,000)]	[(16,000)]
[Handling fees (¥ thousand)]	[(7,649)]	[(7,633)]
The number of shares of common stock increase (shares)	4,919,595	4,945,133
[Convertible bonds (shares)]	[4,746,366]	[4,771,276]
[Stock acquisition rights (shares)]	[173,229]	[173,857]
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 <sup>th</sup> stock acquisition rights as ordinary stock options (137,000 shares) The 11 <sup>th</sup> stock acquisition rights as ordinary stock options (138,000 shares) The 12 <sup>th</sup> stock acquisition rights as ordinary stock options (169,000 shares) The 13 <sup>th</sup> stock acquisition rights as ordinary stock options (161,000 shares)	The 9 <sup>th</sup> stock acquisition rights as ordinary stock options (133,000 shares) The 11 <sup>th</sup> stock acquisition rights as ordinary stock options (136,000 shares) The 12 <sup>th</sup> stock acquisition rights as ordinary stock options (166,000 shares) The 13 <sup>th</sup> stock acquisition rights as ordinary stock options (161,000 shares)

## (Significant Subsequent Events)

Not applicable