

## Consolidated Earnings Report for the Fiscal Year Ended December 31, 2022 (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: Tokyo Stock Exchange  
Code: 7718 URL <https://www.star-m.jp>  
Representative Director: Mamoru Sato, President and CEO  
Inquiries: Seigo Sato, Senior Executive Officer, General Manager, General Administration Headquarters  
TEL: 054 -263-1111

Scheduled annual general meeting of shareholders: March 23, 2023 Scheduled payment of dividends: March 9, 2023

Scheduled release of FY2022 business report: March 24, 2023

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, 2022 (From January 1, 2022 to December 31, 2022)

(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, 2022	87,368	35.7	13,925	87.8	14,199	82.2	10,298	79.4
Year Ended December 31, 2021	64,360	40.9	7,415	241.3	7,795	181.1	5,740	231.5

(Note) Comprehensive income

Year Ended December 31, 2022 ¥15,374 million [74.0%] Year Ended December 31, 2021 ¥8,834 million [846.3%]

	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, 2022	271.14	270.01	15.4	15.6	15.9
Year Ended December 31, 2021	150.83	142.38	10.4	10.1	11.5

Reference: Equity in earnings of affiliated companies

Year Ended December 31, 2022 ¥0 million Year Ended December 31, 2021 ¥(4) million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2022	99,538	73,088	73.0	1,928.77
As of December 31, 2021	82,360	61,728	74.1	1,576.64

Reference: Shareholders' Equity

As of December 31, 2022 ¥72,628 million As of December 31, 2021 ¥61,054 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, 2022	7,523	(2,633)	(4,624)	29,564
Year Ended December 31, 2021	9,600	740	(7,558)	27,199

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)	%	%
FY 2021	—	29.00	—	29.00	58.00	2,287	38.5	3.9
FY 2022	—	30.00	—	40.00	70.00	2,637	25.8	4.0
FY 2023 (Projected)	—	30.00	—	30.00	60.00		27.4	

(Note) Breakdown of Year-End Dividends in FY2022 Ordinary dividend ¥30.00 Special dividend ¥10.00

3. Consolidated Outlook for the Fiscal Year Ending December 31, 2023 (From January 1, 2023 to December 31, 2023)  
(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	41,900	6.7	6,400	11.8	6,600	10.5	5,000	18.8	133.34
Full Year	79,500	(9.0)	10,500	(24.6)	10,800	(23.9)	8,100	(21.3)	218.58

\*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: Yes

(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, 2022	42,465,134 shares	As of December 31, 2021	44,091,334 shares
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(ii) Number of treasury stock at period-end

As of December 31, 2022	4,809,548 shares	As of December 31, 2021	5,367,223 shares
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(iii) Average number of outstanding shares

As of December 31, 2022	37,982,790 shares	As of December 31, 2021	38,055,778 shares
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(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Results for the Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(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, 2022	48,375	41.9	7,303	304.4	8,563	86.8	6,485	50.4
Year Ended December 31, 2021	34,087	53.2	1,806	—	4,585	—	4,311	760.6

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended December 31, 2022	170.74	170.02
Year Ended December 31, 2021	113.30	106.91

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2022	64,467	45,171	69.5	1,190.25
As of December 31, 2021	56,275	42,739	75.2	1,092.84

Reference: Shareholders' Equity

As of December 31, 2022 ¥44,819 million As of December 31, 2021 ¥42,319 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 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 “(4) Future Outlook” under “1. Overview of Operating Results and Financial Position” on page 3.

○(Attached Documents) Index

<b>1. Overview of Operating Results and Financial Position</b> .....	<b>2</b>
<b>(1) Overview of Operating Results for the Year Ended December 31, 2022</b> .....	<b>2</b>
<b>(2) Overview of Financial Position for the Year Ended December 31, 2022</b> .....	<b>2</b>
<b>(3) Overview of Cash Flows for the Year Ended December 31, 2022</b> .....	<b>3</b>
<b>(4) Future Outlook</b> .....	<b>3</b>
<b>(5) Basic Dividend Policy and Dividends for This Fiscal Year and the Next Fiscal Year</b> .....	<b>4</b>
<b>2. Basic Policy regarding the Selection of Accounting Standards</b> .....	<b>4</b>
<b>3. Consolidated Financial Statements and Major Notes</b> .....	<b>5</b>
<b>(1) Consolidated Balance Sheet</b> .....	<b>5</b>
<b>(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income</b> .....	<b>7</b>
Consolidated Statement of Income .....	<b>7</b>
Consolidated Statement of Comprehensive Income .....	<b>8</b>
<b>(3) Consolidated Statement of Changes in Equity</b> .....	<b>9</b>
<b>(4) Consolidated Statement of Cash Flows</b> .....	<b>11</b>
<b>(5) Notes to Consolidated Financial Statements</b> .....	<b>12</b>
(Note on Going Concern Assumption) .....	<b>12</b>
(Changes in Accounting Policies) .....	<b>12</b>
(Segment Information) .....	<b>13</b>
(Per Share Information) .....	<b>15</b>
(Significant Subsequent Events) .....	<b>15</b>

## 1. Overview of Operating Results and Financial Position

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the first quarter of the fiscal year under review.

Please refer to "(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" under "3. Consolidated Financial Statements and Major Notes" on page 12 for details.

### (1) Overview of Operating Results for the Year Ended December 31, 2022

Looking at the fiscal 2022, the fiscal year ended December 31, 2022, global economic conditions remained uncertain. In addition to the effects of COVID-19, this uncertainty was due to a variety of factors including the accelerated pace of global inflation, soaring resource prices triggered by the prolonged Ukraine crisis, tight supply of such components and parts as semiconductors, and sharp fluctuations in foreign currency exchange rates. By geographic region, the U.S. economy exhibited a recovery trend on the back of steady consumer spending. In contrast, economic conditions throughout Europe were generally weak. In Asia, China's economy remained firm despite significant restrictions on economic activities owing to the government's decision to adopt a zero-corona policy. On the domestic front, Japan witnessed a modest economic recovery.

In each of the major markets in which the Star Micronics Group operates, demand for POS printers was strong especially in the U.S. At the same time, overseas demand for the Group's mainstay machine tools remained generally high with firm demand also in Japan.

Under these circumstances, the Star Micronics Group reported sales of ¥87,368 million for the fiscal year under review, up 35.7% compared with the corresponding period of the previous fiscal year. This was largely due to the substantial increase in sales of machine tools. From a profit perspective, operating income climbed 87.8%, to ¥13,925 million owing mainly to the substantial jump in sales. Ordinary income surged 82.2%, to ¥14,199 million. Net income attributable to owners of parent amounted to ¥10,298 million, up 79.4% year on year.

Performance by segment was as follows:

#### (Special Products)

In POS printers, despite the impact of such factors as delays in supply of products attributable to shortages in the procurement of components and parts, and disruptions to logistics, sales increased. In addition to the ongoing period of favorable market conditions, which reflected the continued brisk mPOS demand in each market, this increase in sales was largely due to the impact of the yen's depreciation. Looking at trends by geographic region, sales in the U.S. market increased substantially. While delays in the supply of products had a negative effect, this was largely attributable to the impact of the yen's depreciation. In the European and domestic markets, conditions were favorable. Sales, however, decreased owing to delays in the supply of products.

As a result, both sales and profits grew. In specific terms, sales increased 15.3% compared with the corresponding period of the previous fiscal year, to ¥17,959 million. Operating income grew substantially climbing 64.5% year on year, to ¥3,754 million.

#### (Machine Tools)

Sales of CNC automatic lathes jumped significantly amid brisk global demand for capital investment. By geographic region, sales were strong across a wide range of industries centered on the medical-related sector in the U.S. market. In the European market, sales were robust mainly in automotive-related industries. Accordingly, sales rose significantly in each market. Despite signs of a cautious approach toward capital investment in China over the latter half of the fiscal year, sales in the Asian market increased. This was mainly due to the ongoing high level of sales mainly in automotive-related industries. With signs of a recovery across a wide range of industries, sales in the domestic market increased substantially. This was despite the delay in an automotive-related recovery in Japan.

Accounting for each of the aforementioned factors, both sales and profits increased substantially. In specific terms, sales grew 42.3% compared with the corresponding period of the previous fiscal year, to ¥69,408 million. Operating income jumped 78.6% year on year, to ¥12,248 million.

### (2) Overview of Financial Position for the Year Ended December 31, 2022

Amid foreign currency exchange rates affecting the consolidated balance sheet as a whole at the end of the fiscal year under review, assets stood at ¥99,538 million, an increase of ¥17,178 million compared with the end of the previous fiscal year. This was mainly due to the upswing in inventories and trade receivables. Total liabilities came to ¥26,450 million, an increase of ¥5,818 million compared with the previous fiscal year-end. This largely reflected the upturn in income taxes payables and other current liabilities. Total net assets increased ¥11,359 million compared with the end of the previous fiscal year, to ¥73,088 million. This was in large part due to the increase in retained earnings and foreign currency translation adjustments notwithstanding such factors as dividends paid and the purchase and retirement of treasury stock.

### (3) Overview of Cash Flows for the Year Ended December 31, 2022

Cash and cash equivalents as of the end of the fiscal year under review were ¥29,564 million, an increase of ¥2,365 million compared with the previous fiscal year-end. This was the result of net cash provided by operating activities of ¥7,523 million, and partially offset by net cash used in investing and financing activities of ¥2,633 million and ¥4,624 million, respectively, and the addition of a translation adjustment on cash and cash equivalents.

#### (Operating Activities)

Net cash provided by operating activities totaled ¥7,523 million (¥9,600 million for the previous fiscal year). While the principal cash outflows were increase in inventories and income taxes paid, the major cash inflows reflected the income before income taxes and the depreciation and amortization.

#### (Investing Activities)

Net cash used in investing activities came to ¥2,633 million, a turnaround from net cash provided by investing activities of ¥740 million in the previous fiscal year. The major cash outflow was for purchases of property, plant and equipment.

#### (Financing Activities)

Net cash used in financing activities totaled ¥4,624 million (¥7,558 million for the previous fiscal year) owing to decrease in dividends paid and payments for purchase of treasury stock.

#### (Reference) Trends in Cash Flow Related Indices

	FY12 2018	FY12 2019	FY12 2020	FY12 2021	FY12 2022
Equity Ratio (%)	60.3	65.2	68.2	74.1	73.0
Market Value Basis Equity Ratio (%)	66.9	72.7	81.5	72.8	61.2
Debt / Cash Flow Ratio (Years)	0.4	0.6	0.4	0.1	0.2
Interest Coverage Ratio (Times)	949.9	316.6	351.8	512.4	271.8

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.

### (4) Future Outlook

Looking ahead, conditions throughout the global economy are expected to remain uncertain. In addition to ongoing concerns surrounding geopolitical risks, spearheaded by the crisis in Ukraine, where no end is in sight, this is due to a variety of factors including anxieties toward the economic slowdown caused by inflation and trends in energy prices which continue to hover at a high level. In Japan, the impact of volatile foreign currency exchange rates also continues to be a major cause for concern.

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 decline. Despite expectations of an upswing in sales as order backlogs clear in Europe and the U.S., this forecast decline is due to concerns surrounding a downturn in capital investment demand triggered by the slowdown in economic conditions. In the Special Products Segment, sales are projected to stall in the U.S., but remain firm in the European market. Taking into account these and other factors including the impact of foreign currency exchange rates, sales in this segment are forecast to remain at the same level as the previous fiscal year.

Taking into account the aforementioned factors, our outlook for consolidated results in the coming fiscal year is a downturn. In specific terms, we expect a decrease in net sales of 9.0% compared with the fiscal year under review, to ¥79,500 million. On a year-on-year basis, operating income is forecast to decline 24.6%, to ¥10,500 million, ordinary income to fall 23.9%, to ¥10,800 million and net income attributable to owners of parent to also drop 21.3%, to ¥8,100 million in next fiscal year.

Forecasts are based on the assumptions that the yen/US dollar exchange rate will be JPY125 and the yen/Euro exchange rate will be JPY130.

#### **(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. Under its shareholder return policy, the Company has decided to target a consolidated total payout ratio of at least 50%, including the repurchase of its own shares, with the aim of paying a stable annual dividend of at least ¥60 per share.

Taking into consideration its consolidated business performance for the fiscal year under review and the Company's record high net sales and net income attributable to owners of parent, Star Micronics recognizes the critical need to further upgrade and expand the return and distribution of profits to shareholders including dividends. As far as its fiscal year-end dividend is concerned, the Company has therefore decided to pay a period-end dividend of ¥40 per share, comprising an ordinary dividend of ¥30 per share and a special dividend of ¥10 per share. Together with the interim dividend of ¥30 per share, the Company now plans to pay a record-high annual dividend of ¥70 per share.

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, 2021	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	27,575,626	30,069,164
Trade notes and accounts receivable	18,553,333	22,749,935
Securities	—	34,278
Merchandise and finished goods	9,558,322	14,361,778
Work in process	4,620,202	6,578,912
Raw materials and supplies	3,644,476	4,146,484
Other	1,891,617	2,264,776
Allowance for doubtful accounts	(136,868)	(132,608)
<b>Total current assets</b>	<b>65,706,710</b>	<b>80,072,720</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,327,895	16,081,361
Accumulated depreciation	(7,820,383)	(8,696,371)
Buildings and structures, net	7,507,511	7,384,989
Machinery, equipment and vehicles	12,586,286	12,911,779
Accumulated depreciation	(10,124,114)	(9,579,550)
Machinery, equipment and vehicles, net	2,462,171	3,332,228
Tools, furniture and fixtures	8,298,741	9,066,974
Accumulated depreciation	(7,225,078)	(7,716,743)
Tools, furniture and fixtures, net	1,073,662	1,350,231
Land	1,892,487	2,008,241
Lease assets	153,471	121,319
Accumulated depreciation	(79,387)	(60,124)
Lease assets, net	74,083	61,195
Construction in progress	175,143	215,439
Other	1,506,969	1,901,468
Accumulated depreciation	(382,941)	(557,338)
Other, net	1,124,027	1,344,130
<b>Total property, plant and equipment</b>	<b>14,309,087</b>	<b>15,696,456</b>
Intangible assets		
Other	415,966	445,331
<b>Total intangible assets</b>	<b>415,966</b>	<b>445,331</b>
Investments and other assets		
Investment securities	946,639	1,131,830
Deferred tax assets	598,718	425,428
Net defined benefit asset	—	1,299,938
Other	383,435	466,926
<b>Total investments and other assets</b>	<b>1,928,793</b>	<b>3,324,123</b>
<b>Total Non-current assets</b>	<b>16,653,847</b>	<b>19,465,910</b>
<b>Total assets</b>	<b>82,360,558</b>	<b>99,538,631</b>

(Unit: Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	8,151,499	8,369,767
Electronically recorded obligations-operating	3,816,185	4,618,781
Lease obligations	27,547	26,484
Income taxes payable	811,083	2,417,312
Contract liabilities	—	965,914
Provision for bonuses	1,100,165	1,550,218
Other	5,597,862	7,155,653
Total current liabilities	19,504,343	25,104,131
Non-current liabilities		
Lease obligations	53,697	41,207
Net defined benefit liability	130,198	100,988
Other	944,121	1,204,176
Total non-current liabilities	1,128,017	1,346,371
Total liabilities	20,632,360	26,450,503
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	13,854,202	11,710,490
Retained earnings	41,814,173	49,849,455
Treasury stock	(7,066,934)	(6,608,499)
Total shareholders' equity	61,323,380	67,673,385
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,406	107,591
Foreign currency translation adjustments	(830,454)	3,366,425
Remeasurements of defined benefit plans	476,837	1,481,466
Total accumulated other comprehensive income	(269,210)	4,955,484
Stock acquisition rights	420,462	351,712
Noncontrolling interests	253,566	107,545
Total net assets	61,728,198	73,088,128
Total liabilities and net assets	82,360,558	99,538,631



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

(Unit: Thousands of yen)

	As of December 31, 2021 (From January 1, 2021 to December 31, 2021)	As of December 31, 2022 (From January 1, 2022 to December 31, 2022)
Net sales	64,360,079	87,368,377
Cost of sales	41,756,393	53,526,275
Gross profit	22,603,686	33,842,101
Selling, general and administrative expenses	15,188,197	19,916,997
Operating income	7,415,488	13,925,104
Non-operating income		
Interest income	158,579	166,100
Gain on reversal of stock acquisition rights	54,131	59,291
Rent income	40,876	41,963
Miscellaneous income	204,389	186,443
Total non-operating income	457,977	453,798
Non-operating expenses		
Interest expense	18,767	32,005
Commission expense	10,213	—
Loss on valuation of investment securities	22,700	52,720
Foreign exchange loss-net	1,981	76,186
Miscellaneous loss	24,470	18,778
Total non-operating expenses	78,132	179,690
Ordinary income	7,795,332	14,199,212
Extraordinary income		
Gain on sales of non-current assets	19,645	32,655
Gain on liquidation of subsidiaries and associates	164,861	—
Total extraordinary income	184,506	32,655
Extraordinary losses		
Loss on disposal of non-current assets	15,854	20,312
Total extraordinary losses	15,854	20,312
Income before income taxes	7,963,984	14,211,555
Income taxes-current	2,061,298	3,892,830
Income taxes-deferred	112,219	(69,806)
Total income taxes	2,173,518	3,823,023
Net income	5,790,466	10,388,532
Net income attributable to noncontrolling interests	50,373	89,909
Net income attributable to owners of the parent	5,740,092	10,298,622

## (Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	As of December 31, 2021 (From January 1, 2021 to December 31, 2021)	As of December 31, 2022 (From January 1, 2022 to December 31, 2022)
Net income	5,790,466	10,388,532
Other comprehensive income		
Valuation difference on available-for-sale securities	57,196	23,185
Foreign currency translation adjustments	2,662,373	3,892,903
Remeasurements of defined benefit plans	312,854	1,004,629
Share of other comprehensive income of entities accounted for using equity method	11,842	65,022
Total other comprehensive income	3,044,265	4,985,740
Comprehensive income	8,834,732	15,374,273
(Total comprehensive income attributable to:)		
Owners of parent	8,756,622	15,250,184
Noncontrolling interests	78,109	124,088

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

Fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

(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	13,058,502	38,297,686	(12,076,639)	52,001,489
Changes of items during period					
Cash dividends			(2,223,605)		(2,223,605)
Net income attributable to owners of parent			5,740,092		5,740,092
Purchase of treasury stock				(2,266,646)	(2,266,646)
Disposal of treasury stock		15,826		56,224	72,050
Conversion of convertible bonds		2,070,873		5,929,126	8,000,000
Retirement of treasury stock		(1,291,000)		1,291,000	—
Net changes of items other than shareholders' equity					
Net change in the year	—	795,699	3,516,486	5,009,704	9,321,891
Balance at end of current period	12,721,939	13,854,202	41,814,173	(7,066,934)	61,323,380

	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	27,210	(3,352,302)	163,982	(3,161,109)	428,914	552,672	49,821,965
Changes of items during period							
Cash dividends							(2,223,605)
Net income attributable to owners of parent							5,740,092
Purchase of treasury stock							(2,266,646)
Disposal of treasury stock							72,050
Conversion of convertible bonds							8,000,000
Retirement of treasury stock							—
Net changes of items other than shareholders' equity	57,196	2,521,848	312,854	2,891,898	(8,451)	(299,105)	2,584,341
Net change in the year	57,196	2,521,848	312,854	2,891,898	(8,451)	(299,105)	11,906,232
Balance at end of current period	84,406	(830,454)	476,837	(269,210)	420,462	253,566	61,728,198

Fiscal year ended December 31, 2022 (From January 1,2022 to December 31, 2022)

(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	13,854,202	41,814,173	(7,066,934)	61,323,380
Cumulative effect of accounting change			(10,329)		(10,329)
Restated balance	12,721,939	13,854,202	41,803,843	(7,066,934)	61,313,050
Changes of items during period					
Cash dividends			(2,253,010)		(2,253,010)
Net income attributable to owners of parent			10,298,622		10,298,622
Purchase of treasury stock				(1,958,342)	(1,958,342)
Disposal of treasury stock		8,648		205,436	214,085
Retirement of treasury stock		(2,211,341)		2,211,341	—
Purchase of shares of consolidated subsidiaries		60,039			60,039
Sales of shares of consolidated subsidiaries		(1,059)			(1,059)
Net changes of items other than shareholders' equity					
Net change in the year	—	(2,143,712)	8,045,611	458,435	6,360,335
Balance at end of current period	12,721,939	11,710,490	49,849,455	(6,608,499)	67,673,385

	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	84,406	(830,454)	476,837	(269,210)	420,462	253,566	61,728,198
Cumulative effect of accounting change							(10,329)
Restated balance	84,406	(830,454)	476,837	(269,210)	420,462	253,566	61,717,868
Changes of items during period							
Cash dividends							(2,253,010)
Net income attributable to owners of parent							10,298,622
Purchase of treasury stock							(1,958,342)
Disposal of treasury stock							214,085
Retirement of treasury stock							—
Purchase of shares of consolidated subsidiaries							60,039
Sales of shares of consolidated subsidiaries							(1,059)
Net changes of items other than shareholders' equity	23,185	4,196,879	1,004,629	5,224,694	(68,749)	(146,020)	5,009,924
Net change in the year	23,185	4,196,879	1,004,629	5,224,694	(68,749)	(146,020)	11,370,259
Balance at end of current period	107,591	3,366,425	1,481,466	4,955,484	351,712	107,545	73,088,128

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

(Unit: Thousands of yen)

	As of December 31, 2021 (From January 1, 2021 to December 31, 2021)	As of December 31, 2022 (From January 1, 2022 to December 31, 2022)
<b>Operating activities</b>		
Income before income taxes	7,963,984	14,211,555
Depreciation and amortization	2,126,819	2,413,910
Gain on liquidation of subsidiaries and associates	(164,861)	—
Gain on reversal of stock acquisition rights	(54,131)	(59,291)
Commission expense	10,213	—
Loss on valuation of investment securities	22,700	52,720
Decrease (increase) in allowance for doubtful receivables	17,651	(22,611)
Increase (decrease) in net defined benefit liability	(130,313)	100,466
Interest and dividends income	(172,452)	(179,840)
Interest expenses	18,767	32,005
Gain on sales of property, plant and equipment	(19,645)	(32,655)
Loss on disposal of property, plant and equipment	15,854	20,312
Increase in trade receivables	(2,474,566)	(1,728,331)
Increase in inventories	(3,044,850)	(5,879,548)
Decrease (increase) in trade payables	6,008,946	(56,752)
Other-net	810,570	873,091
Subtotal	10,934,688	9,745,030
Interest and dividends income received	167,162	179,089
Interest expenses paid	(18,735)	(27,684)
Income taxes refund	329,156	91,724
Income taxes paid	(1,811,347)	(2,464,870)
Net cash provided by operating activities	9,600,924	7,523,288
<b>Investing activities</b>		
Decrease in short-term investments	1,100,000	—
Proceeds from sales of securities	1,000,000	—
Purchases of property, plant and equipment	(1,051,912)	(2,170,723)
Proceeds from sales of property, plant and equipment	23,767	148,006
Purchases of investment securities	(600,000)	(200,000)
Proceeds from sales of investment securities	409,373	—
Payments into time deposits	(359,490)	(500,016)
Proceeds from withdrawal of time deposits	358,370	430,373
Other-net	(139,625)	(341,158)
Net cash provided by (used in) investing activities	740,481	(2,633,517)
<b>Financing activities</b>		
Decrease in short-term bank loans	(2,500,000)	—
Repayments of finance lease obligations	(29,158)	(28,826)
Payments for purchase of treasury stock	(2,268,912)	(1,960,299)
Disposal of treasury stock	14,276	119,670
Dividends paid to shareholders	(2,222,866)	(2,251,151)
Dividends paid to noncontrolling shareholders of consolidated subsidiaries	(231,640)	(9,970)
Repayments to noncontrolling shareholders	(147,028)	—
Other-net	(173,360)	(493,424)
Net cash used in financing activities	(7,558,690)	(4,624,003)
Foreign currency translation adjustments on cash and cash equivalents	1,386,909	2,099,580
Net increase in cash and cash equivalents	4,169,624	2,365,347
Cash and cash equivalents at beginning of year	23,029,420	27,199,045
Cash and cash equivalents at end of year	27,199,045	29,564,392

**(5) Notes to Consolidated Financial Statements**  
(Note on Going Concern Assumption)

Not applicable

(Changes in Accounting Policies)

(Application of “Accounting Standard for Revenue Recognition”)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. since the beginning of the first quarter of the fiscal year under review and recognizes revenue from goods or services to be provided at an amount expected to be received in exchange for those goods or services at the time when control over the promised goods or services is transferred to a customer. As a result, the Company now recognizes revenue at the time of acceptance inspection for certain sales, whereas it previously recognized revenue at the time of shipment, mainly in the Machine Tools Segment. In addition, consideration payable to a customer, such as sales commissions, had been previously accounted for as selling, general and administrative expenses, but is now accounted for as a net amount deducted from sales.

The Company applies the Revenue Recognition Accounting Standard in accordance with the transitional handling stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The Company adds or subtracts the amount of the cumulative effect on retained earnings from the beginning of the first quarter or from retained earnings in cases where the new accounting policies are applied retroactively to periods before the beginning of the first quarter. However, the Company applied the procedure provided for in Paragraph 86 of the Revenue Recognition Accounting Standards and did not retroactively apply the new accounting policy to contracts under which almost all revenue had been recognized before the beginning of the first quarter in accordance with the procedure before the application of the new accounting policy.

As a result, net sales decreased ¥85,172 thousand, cost of sales increased ¥319,901 thousand, and selling, general and administrative expenses decreased ¥148,042 thousand. Operating income, ordinary income, and income before income taxes decreased ¥257,031 thousand each in the fiscal year under review. The impact on per share information is minimal.

The balance of retained earnings at the beginning of the fiscal year under review decreased by ¥10,329 thousand.

Due to the application of the Accounting Standard for Revenue Recognition, “advances received,” which had been included in “Other” under “Current liabilities” is included in “Contract liabilities” from the first quarter of fiscal 2022. In accordance with the transitional handling stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification via new indication methods will be carried out for the previous fiscal year using the new presentation.

(Application of “Accounting Standard for Fair Value Measurement”)

The Company began applying the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019, hereinafter the “Fair Value Measurement Accounting Standard”) and related measures at the beginning of the first quarter of the fiscal year under review. Accordingly, the Company will apply the new accounting policies stipulated in the Fair Value Measurement Accounting Standard and related measures in the future in accordance with the transitional handling stipulated in Section 19 of the same standard and Section 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019).

Application of this standard has no impact on consolidated financial statements.

(Application of ASC No. 842 “Leases”)

Effective from the first quarter of the fiscal year under review, the Company has adopted ASC No. 842, “Leases” with regard to overseas consolidated subsidiaries. Regarding the application of the applicable accounting standard, the cumulative effect of adopting the standard, which is permitted as a transitional measure, is recognized as of the date of adoption.

The adoption of the applicable accounting standard has an insignificant impact on the consolidated financial statements.

(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, and Machine Tools segments. These two 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.

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, 2021 (From January 1, 2021 to December 31, 2021)

(Unit: Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Consolidated Financial Statement Amounts (Note 2)
	Special Products	Machine Tools	Total		
Sales					
Sales to external customers	15,569,772	48,790,307	64,360,079	—	64,360,079
Intersegment sales or transfers	—	—	—	—	—
Total	15,569,772	48,790,307	64,360,079	—	64,360,079
Segment profit	2,282,941	6,857,777	9,140,719	(1,725,230)	7,415,488
Segment assets	12,536,871	55,790,879	68,327,750	14,032,808	82,360,558
Other items:					
Depreciation	338,316	1,549,419	1,887,735	239,084	2,126,819
Investments in associates	229,428	—	229,428	—	229,428
Increase in property, plant and equipment and intangible assets	181,685	1,667,015	1,848,701	77,214	1,925,915

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, 2022 (From January 1, 2022 to December 31, 2022)

(Unit: Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Consolidated Financial Statement Amounts (Note 2)
	Special Products	Machine Tools	Total		
Sales					
Sales to external customers	17,959,641	69,408,735	87,368,377	—	87,368,377
Intersegment sales or transfers	—	—	—	—	—
Total	17,959,641	69,408,735	87,368,377	—	87,368,377
Segment profit	3,754,305	12,248,454	16,002,759	(2,077,654)	13,925,104
Segment assets	15,940,198	69,478,546	85,418,744	14,119,887	99,538,631
Other items:					
Depreciation	442,282	1,791,135	2,233,418	180,491	2,413,910
Investments in associates	293,145	—	293,145	—	293,145
Increase in property, plant and equipment and intangible assets	606,021	2,598,361	3,204,382	185,908	3,390,290

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.

#### 4. Changes in reportable segments

(Application of "Accounting Standard for Revenue Recognition")

As described in "(5) Notes to Consolidated Financial Statements" under "3. Consolidated Financial Statements and Major Notes", the Company has applied "Revenue Recognition Accounting Standard" from the beginning of the fiscal year under review and changed the accounting method with which it recognizes revenue. As a result, the method for calculating segment profit and loss was changed in the same manner.

As a result of this change, segment profit in the Special Products Segment declined ¥47,263 thousand while net sales and segment profit in the Machine Tools Segment decreased ¥85,172 thousand and ¥209,767 thousand, in the fiscal year under review, compared with results calculated using the previous method.



## (Per Share Information)

	FY12/2021 (From January 1, 2021 to December 31, 2021)	FY12/2022 (From January 1, 2022 to December 31, 2022)
Net assets per share	¥1,576.64	¥1,928.77
Net income per share	¥150.83	¥271.14
Diluted net income per share	¥142.38	¥270.01

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

	FY12/2021 (From January 1, 2021 to December 31, 2021)	FY12/2022 (From January 1, 2022 to December 31, 2022)
Net income per share		
Net income attributable to owners of parent (¥ thousand)	5,740,092	10,298,622
Value not attributed to common stock (¥ thousand)	—	—
Net income attributable to common shareholders (¥ thousand)	5,740,092	10,298,622
Average number of outstanding shares (shares)	38,055,778	37,982,790
Diluted net income per share		
Net income adjustments attributable to parent company shareholders (¥ thousand)	(6,666)	—
[Interest income (¥ thousand)]	[(6,666)]	[—]
The number of shares of common stock increase (shares)	2,212,809	158,764
[Convertible bonds (shares)]	[1,975,449]	[—]
[Stock acquisition rights (shares)]	[237,360]	[158,764]
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 11th stock acquisition rights as ordinary stock options (136,000 shares) The 12th stock acquisition rights as ordinary stock options (166,000 shares) The 13th stock acquisition rights as ordinary stock options (161,000 shares) The 15th stock acquisition rights as ordinary stock options (141,000 shares)	The 11th stock acquisition rights as ordinary stock options (126,000 shares) The 12th stock acquisition rights as ordinary stock options (166,000 shares) The 13th stock acquisition rights as ordinary stock options (161,000 shares) The 15th stock acquisition rights as ordinary stock options (141,000 shares)

## (Significant Subsequent Events)

Not applicable