

Consolidated Earnings Report for the Fiscal Year Ended December 31, 2023 (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, Corporate Headquarters
TEL: 054 -263-1111

Scheduled annual general meeting of shareholders: March 28, 2024 Scheduled payment of dividends: March 12, 2024
Scheduled release of FY2023 business report: March 28, 2024
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, 2023 (From January 1, 2023 to December 31, 2023)

(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, 2023	78,196	(10.5)	10,350	(25.7)	10,960	(22.8)	8,175	(20.6)
Year Ended December 31, 2022	87,368	35.7	13,925	87.8	14,199	82.2	10,298	79.4

(Note) Comprehensive income

Year Ended December 31, 2023 ¥11,755 million [(23.5)%] Year Ended December 31 2022 ¥15,374 million [74.0%]

	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, 2023	218.89	218.17	10.7	11.4	13.2
Year Ended December 31, 2022	271.14	270.01	15.4	15.6	15.9

Reference: Equity in earnings of affiliated companies

Year Ended December 31, 2023 ¥(2) million Year Ended December 31, 2022 ¥0 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2023	93,398	80,346	85.6	2,178.54
As of December 31, 2022	99,538	73,088	73.0	1,928.77

Reference: Shareholders' Equity

As of December 31, 2023 ¥79,964 million As of December 31, 2022 ¥72,628 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, 2023	7,126	(2,038)	(5,054)	31,434
Year Ended December 31, 2022	7,523	(2,633)	(4,624)	29,564

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 2022	—	30.00	—	40.00	70.00	2,637	25.8	4.0
FY 2023	—	30.00	—	30.00	60.00	2,217	27.4	2.9
FY 2024 (Projected)	—	30.00	—	30.00	60.00		43.2	

3. Consolidated Outlook for the Fiscal Year Ending December 31, 2024 (From January 1, 2024 to December 31, 2024)
(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	27,440	(36.1)	1,900	(74.3)	2,000	(73.7)	1,300	(75.2)	35.42
Full Year	65,800	(15.9)	7,000	(32.4)	7,200	(34.3)	5,100	(37.6)	138.94

*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, 2023	41,921,434 shares	As of December 31, 2022	42,465,134 shares
-------------------------	-------------------	-------------------------	-------------------

(ii) Number of treasury stock at period-end

As of December 31, 2023	5,215,874 shares	As of December 31, 2022	4,809,548 shares
-------------------------	------------------	-------------------------	------------------

(iii) Average number of outstanding shares

As of December 31, 2023	37,349,647 shares	As of December 31, 2022	37,982,790 shares
-------------------------	-------------------	-------------------------	-------------------

(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Results for the Fiscal Year Ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(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, 2023	41,235	(14.8)	4,528	(38.0)	9,733	13.7	8,309	28.1
Year Ended December 31, 2022	48,375	41.9	7,303	304.4	8,563	86.8	6,485	50.4

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended December 31, 2023	222.48	221.75
Year Ended December 31, 2022	170.74	170.02

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2023	57,202	49,048	85.3	1,328.79
As of December 31, 2022	64,467	45,171	69.5	1,190.25

Reference: Shareholders' Equity

As of December 31, 2023 ¥48,774 million As of December 31, 2022 ¥44,819 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

1. Overview of Operating Results and Financial Position	2
(1) Overview of Operating Results for the Year Ended December 31, 2023	2
(2) Overview of Financial Position for the Year Ended December 31, 2023	2
(3) Overview of Cash Flows for the Year Ended December 31, 2023	3
(4) Future Outlook	3
(5) Basic Dividend Policy and Dividends for This Fiscal Year and the Next Fiscal Year	4
2. Basic Policy regarding the Selection of Accounting Standards	4
3. Consolidated Financial Statements and Major Notes	5
(1) Consolidated Balance Sheet	5
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Income	7
Consolidated Statement of Comprehensive Income	8
(3) Consolidated Statement of Changes in Equity	9
(4) Consolidated Statement of Cash Flows	11
(5) Notes to Consolidated Financial Statements	12
(Note on Going Concern Assumption)	12
(Changes in Accounting Policies)	12
(Segment Information)	13
(Per Share Information)	15
(Significant Subsequent Events)	16

1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for the Year Ended December 31, 2023

Looking at fiscal 2023, the fiscal year ended December 31, 2023, the outlook for the economy remained uncertain throughout the period under review. Despite an overall modest recovery amid signs of a lull in the surge in resource prices and prolonged inflation, this uncertainty largely reflects growing concerns surrounding the threat of an economic recession owing to the prolonged upswing in interest rates in the U.S. and Europe, deteriorating market conditions and slowing investment in China, and fluctuations in foreign currency exchange rates.

In each of the major markets in which the Star Micronics Group operates, demand for POS printers was generally weak. In addition, demand for the Group's mainstay machine tools in overseas markets, which had previously remained high, stalled with little or no forward momentum. Exacerbating these difficult trends, demand in Japan also failed to recover.

Under these circumstances, the Star Micronics Group reported sales of ¥78,196 million for the fiscal year under review, down 10.5% compared with the previous fiscal year. Despite the overall impact of depreciation in the value of the yen, this was mainly due to a decline in sales of the Company's mainstay machine tools. From a profit perspective, operating income declined 25.7%, to ¥10,350 million. Ordinary income decreased 22.8%, to ¥10,960 million. Net income attributable to owners of parent fell 20.6%, to ¥8,175 million.

Meanwhile, Smart Solution Technology, Inc. (SST) was included in the Company's scope of consolidation and the Special Products Segment effective from the first half of the fiscal year under review.

Performance by segment was as follows:

(Special Products)

Sales of POS printers declined. This largely reflected the downturn in mPOS demand, which had remained robust. Looking at trends by geographic region, sales in the U.S. market decreased substantially owing to the downturn in mPOS demand. Sales in the European market were essentially unchanged from the previous fiscal year due to the impact of such factors as the yen's depreciation. Meanwhile, despite weak market conditions throughout the domestic market, sales in Japan increased significantly compared with the previous fiscal year owing to the inclusion of SST in the Company's scope of consolidation.

Accounting for these factors, sales decreased 10.3% compared with the previous fiscal year, to ¥16,111 million. Operating income declined substantially year on year, to ¥1,953 million, down 48.0%.

(Machine Tools)

Sales of CNC automatic lathes decreased. Notwithstanding progress from the beginning of the fiscal year under review to reduce the order backlog from the previous fiscal year mainly in the U.S. and European markets, this decrease was mainly due to delays in market recovery in China. By geographic region, sales in the U.S. declined overall owing to sluggish market condition, which largely reflected such factors as the prolonged upswing in interest rates. In addition, sales in the European market increased significantly centered mainly on automotive-related products. Meanwhile, sales decreased substantially in the Asian market. This was mainly attributable to weak sales of automotive- and telecommunications-related products on the back of the continued cautious approach toward capital investment in China over the latter half of the previous fiscal year and other factors. Sales declined significantly in the domestic market, mainly due to the continued lackluster performance of the automotive sector.

Accounting for each of the aforementioned factors, sales and income declined year on year. In specific terms, sales decreased 10.6% compared with the previous fiscal year, to ¥62,084 million. Operating income declined 15.5%, to ¥10,349 million.

(2) Overview of Financial Position for the Year Ended December 31, 2023

Total assets as of the end of the fiscal year under review stood at ¥93,398 million, a decrease of ¥6,140 million compared with the end of the previous fiscal year. This largely reflected the decline in trade notes and accounts receivable as well as inventories. Total liabilities came to ¥13,052 million, a decline of ¥13,398 million compared with the previous fiscal year-end. This was mainly due to the downturn in trade payables and income taxes payable. Total net assets increased ¥7,258 million year on year, to ¥80,346 million. Despite such factors as dividends paid and the purchase and retirement of treasury stock, this was in large part due to the increase in retained earnings and foreign currency translation adjustments.

(3) Overview of Cash Flows for the Year Ended December 31, 2023

Cash and cash equivalents as of the end of the fiscal year under review came to ¥31,434 million, an increase of ¥1,870 million compared with the end of the previous fiscal year. This was the result of net cash provided by operating activities of ¥7,126 million, and partially offset by net cash used in investing and financing activities of ¥2,038 million and ¥5,054 million, respectively, and the addition of a translation adjustment on cash and cash equivalents.

(Operating Activities)

Net cash provided by operating activities totaled ¥7,126 million (¥7,523 million for the previous fiscal year). While the principal cash outflows included the decrease in trade payables and income taxes paid, the major cash inflows included income before income taxes as well as decreases in inventories and trade notes and accounts receivable.

(Investing Activities)

Net cash used in investing activities came to ¥2,038 million (¥2,633 million for 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 ¥5,054 million (¥4,624 million for the previous fiscal year) owing to dividends paid and payments for the purchase of treasury stock.

(Reference) Trends in Cash Flow Related Indices

	FY12 2019	FY12 2020	FY12 2021	FY12 2022	FY12 2023
Equity Ratio (%)	65.2	68.2	74.1	73.0	85.6
Market Value Basis Equity Ratio (%)	72.7	81.5	72.8	61.2	67.6
Debt / Cash Flow Ratio (Years)	0.6	0.4	0.1	0.2	0.2
Interest Coverage Ratio (Times)	316.6	351.8	512.4	271.8	233.9

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 such geopolitical risks as the prolonged crisis in Ukraine and military conflicts in the Middle East, this is due to a variety of factors, including anxieties toward a slowdown in economic activities owing to the impacts of continued inflation and the tightening of global monetary policy.

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 a recovery mainly for automotive-related products in Japan and an anticipated gradual positive turnaround overseas toward the latter half of the coming fiscal year, this forecast decline is amid sluggish capital investment demand across all regions since the previous fiscal year. In the Special Products Segment, sales are projected to decline. While sales are expected to increase due to new products, this forecast downturn largely reflects the overall weak nature of market conditions especially in the U.S. market.

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 15.9% compared with the fiscal year under review, to ¥65,800 million. On a year-on-year basis, operating income is forecast to decline 32.4%, to ¥7,000 million, ordinary income to fall 34.3%, to ¥7,200 million, and net income attributable to owners of parent to also drop 37.6%, to ¥5,100 million in the fiscal year ending December 31, 2024.

Forecasts are based on the assumptions that the yen/US dollar exchange rate will be JPY135 and the yen/Euro exchange rate will be JPY150.

(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. With this in mind, the Company has put in place the basic policy of continuing to pay a progressive and stable annual dividend of at least ¥60 per share and committing to achieve a total payout ratio of at least 50%, including the repurchase of its own shares.

Based on this policy, Star Micronics plans to pay a period-end dividend of ¥30 per share. Together with the interim dividend of ¥30 per share, the Company is looking to pay an annual dividend of ¥60 per share. Excluding the previous period's special dividend paid, this annual dividend is unchanged from the previous fiscal year.

As far as the dividend for the next fiscal year is concerned, and once again based on the aforementioned policy, Star Micronics plans to pay an interim and period-end dividend of ¥30 per share for an annual dividend of ¥60 per share. This is unchanged from the fiscal year under review.

Turning to the Company's internal reserves, 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, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	30,069,164	29,721,934
Trade notes and accounts receivable	22,749,935	18,594,767
Securities	34,278	—
Merchandise and finished goods	14,361,778	14,542,598
Work in process	6,578,912	4,276,374
Raw materials and supplies	4,146,484	2,943,701
Other	2,264,776	3,475,268
Allowance for doubtful accounts	(132,608)	(197,701)
Total current assets	80,072,720	73,356,942
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,081,361	16,884,132
Accumulated depreciation	(8,696,371)	(9,623,038)
Buildings and structures, net	7,384,989	7,261,093
Machinery, equipment and vehicles	12,911,779	12,082,203
Accumulated depreciation	(9,579,550)	(8,738,236)
Machinery, equipment and vehicles, net	3,332,228	3,343,966
Tools, furniture and fixtures	9,066,974	9,529,120
Accumulated depreciation	(7,716,743)	(8,174,599)
Tools, furniture and fixtures, net	1,350,231	1,354,520
Land	2,008,241	2,488,800
Lease assets	121,319	148,892
Accumulated depreciation	(60,124)	(88,219)
Lease assets, net	61,195	60,672
Construction in progress	215,439	144,002
Other	1,901,468	2,189,887
Accumulated depreciation	(557,338)	(939,997)
Other, net	1,344,130	1,249,890
Total property, plant and equipment	15,696,456	15,902,946
Intangible assets		
Other	445,331	793,994
Total intangible assets	445,331	793,994
Investments and other assets		
Investment securities	1,131,830	662,038
Deferred tax assets	425,428	497,702
Net defined benefit asset	1,299,938	1,655,209
Other	466,926	529,711
Total investments and other assets	3,324,123	3,344,661
Total Non-current assets	19,465,910	20,041,602
Total assets	99,538,631	93,398,545

(Unit: Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,369,767	3,345,274
Electronically recorded obligations-operating	4,618,781	326,753
Current portion of long-term bank loans	—	28,404
Lease obligations	26,484	29,637
Income taxes payable	2,417,312	313,660
Contract liabilities	965,914	331,598
Provision for bonuses	1,550,218	896,288
Other	7,155,653	6,136,430
Total current liabilities	25,104,131	11,408,047
Non-current liabilities		
Long-term bank loans	—	8,315
Lease obligations	41,207	37,827
Net defined benefit liability	100,988	116,575
Other	1,204,176	1,481,359
Total non-current liabilities	1,346,371	1,644,076
Total liabilities	26,450,503	13,052,124
Net assets		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	11,710,490	10,948,546
Retained earnings	49,849,455	55,401,296
Treasury stock	(6,608,499)	(7,637,848)
Total shareholders' equity	67,673,385	71,433,933
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	107,591	167,186
Foreign currency translation adjustments	3,366,425	7,058,883
Remeasurements of defined benefit plans	1,481,466	1,304,441
Total accumulated other comprehensive income	4,955,484	8,530,511
Stock acquisition rights	351,712	274,809
Noncontrolling interests	107,545	107,166
Total net assets	73,088,128	80,346,421
Total liabilities and net assets	99,538,631	93,398,545

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

(Unit: Thousands of yen)

	As of December 31, 2022 (From January 1, 2022 to December 31, 2022)	As of December 31, 2023 (From January 1, 2023 to December 31, 2023)
Net sales	87,368,377	78,196,383
Cost of sales	53,526,275	47,472,288
Gross profit	33,842,101	30,724,094
Selling, general and administrative expenses	19,916,997	20,373,214
Operating income	13,925,104	10,350,879
Non-operating income		
Interest income	166,100	339,312
Foreign exchange gains	—	22,838
Rent income	41,963	41,987
Miscellaneous income	245,734	254,503
Total non-operating income	453,798	658,642
Non-operating expenses		
Interest expense	32,005	30,310
Loss on valuation of investment securities	52,720	—
Foreign exchange loss-net	76,186	—
Miscellaneous loss	18,778	18,733
Total non-operating expenses	179,690	49,043
Ordinary income	14,199,212	10,960,478
Extraordinary income		
Gain on sales of non-current assets	32,655	15,244
Gain on revision of retirement benefit plan	—	203,002
Total extraordinary income	32,655	218,246
Extraordinary losses		
Loss on disposal of non-current assets	20,312	77,803
Total extraordinary losses	20,312	77,803
Income before income taxes	14,211,555	11,100,921
Income taxes-current	3,892,830	2,693,339
Income taxes-deferred	(69,806)	234,708
Total income taxes	3,823,023	2,928,047
Net income	10,388,532	8,172,873
Net income attributable to noncontrolling interests	89,909	(2,618)
Net income attributable to owners of the parent	10,298,622	8,175,492

(Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	As of December 31, 2022 (From January 1, 2022 to December 31, 2022)	As of December 31, 2023 (From January 1, 2023 to December 31, 2023)
Net income	10,388,532	8,172,873
Other comprehensive income		
Valuation difference on available-for-sale securities	23,185	59,594
Foreign currency translation adjustments	3,892,903	3,690,180
Remeasurements of defined benefit plans	1,004,629	(177,025)
Share of other comprehensive income of entities accounted for using equity method	65,022	10,362
Total other comprehensive income	4,985,740	3,583,111
Comprehensive income	15,374,273	11,755,985
(Total comprehensive income attributable to:)		
Owners of parent	15,250,184	11,750,519
Noncontrolling interests	124,088	5,465

(3) Consolidated Statement of Changes in Equity

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

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(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	11,710,490	49,849,455	(6,608,499)	67,673,385
Changes of items during period					
Cash dividends			(2,623,651)		(2,623,651)
Net income attributable to owners of parent			8,175,492		8,175,492
Purchase of treasury stock				(2,000,670)	(2,000,670)
Disposal of treasury stock		11,197		198,179	209,377
Retirement of treasury stock		(773,141)		773,141	—
Net changes of items other than shareholders' equity					
Net change in the year	—	(761,943)	5,551,841	(1,029,349)	3,760,547
Balance at end of current period	12,721,939	10,948,546	55,401,296	(7,637,848)	71,433,933

	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	107,591	3,366,425	1,481,466	4,955,484	351,712	107,545	73,088,128
Changes of items during period							
Cash dividends							(2,623,651)
Net income attributable to owners of parent							8,175,492
Purchase of treasury stock							(2,000,670)
Disposal of treasury stock							209,377
Retirement of treasury stock							—
Net changes of items other than shareholders' equity	59,594	3,692,458	(177,025)	3,575,026	(76,903)	(378)	3,497,744
Net change in the year	59,594	3,692,458	(177,025)	3,575,026	(76,903)	(378)	7,258,292
Balance at end of current period	167,186	7,058,883	1,304,441	8,530,511	274,809	107,166	80,346,421

(4) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	As of December 31, 2022 (From January 1, 2022 to December 31, 2022)	As of December 31, 2023 (From January 1, 2023 to December 31, 2023)
Operating activities		
Income before income taxes	14,211,555	11,100,921
Depreciation and amortization	2,413,910	2,710,204
Gain on revision of retirement benefit plan	—	(203,002)
Loss on valuation of investment securities	52,720	—
Increase (decrease) in allowance for doubtful receivables	(22,611)	41,904
(Decrease) increase in net defined benefit liability	100,466	(391,539)
Interest and dividends income	(179,840)	(361,477)
Interest expenses	32,005	30,310
Gain on sales of property, plant and equipment	(32,655)	(15,244)
Loss on disposal of property, plant and equipment	20,312	77,803
Decrease (increase) in trade receivables	(1,728,331)	6,389,800
Decrease (increase) in inventories	(5,879,548)	4,710,822
Decrease in trade payables	(56,752)	(11,762,165)
Other-net	813,800	(483,506)
Subtotal	9,745,030	11,844,832
Interest and dividends income received	179,089	362,344
Interest expenses paid	(27,684)	(30,463)
Income taxes refund	91,724	93,043
Income taxes paid	(2,464,870)	(5,143,127)
Net cash provided by operating activities	7,523,288	7,126,630
Investing activities		
Purchases of property, plant and equipment	(2,170,723)	(2,321,006)
Proceeds from sales of property, plant and equipment	148,006	69,275
Purchases of investment securities	(200,000)	—
Proceeds from sales of investment securities	—	600,000
Payments into time deposits	(500,016)	(284,880)
Proceeds from withdrawal of time deposits	430,373	534,631
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(382,959)
Other-net	(341,158)	(253,850)
Net cash provided by (used in) investing activities	(2,633,517)	(2,038,789)
Financing activities		
Decrease in short-term bank loans	—	(15,000)
Repayments of long-term bank loans	—	(90,856)
Repayments of finance lease obligations	(28,826)	(30,108)
Payments for purchase of treasury stock	(1,960,299)	(2,002,170)
Disposal of treasury stock	119,670	60,877
Dividends paid to shareholders	(2,251,151)	(2,627,762)
Dividends paid to noncontrolling shareholders of consolidated subsidiaries	(9,970)	(5,844)
Other-net	(493,424)	(343,331)
Net cash used in financing activities	(4,624,003)	(5,054,195)
Foreign currency translation adjustments on cash and cash equivalents	2,099,580	1,836,442
Net increase in cash and cash equivalents	2,365,347	1,870,086
Cash and cash equivalents at beginning of year	27,199,045	29,564,392
Cash and cash equivalents at end of year	29,564,392	31,434,479

(5) Notes to Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable

(Changes in Accounting Policies)

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

The Company began applying the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, revision issued on June 17, 2021) 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 Implementation Guidance on Accounting Standard for Fair Value Measurement in the future in accordance with the transitional handling stipulated in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

Application of this guidance has no impact on quarterly 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, 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.

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(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	16,111,522	62,084,860	78,196,383	—	78,196,383
Intersegment sales or transfers	—	—	—	—	—
Total	16,111,522	62,084,860	78,196,383	—	78,196,383
Segment profit	1,953,241	10,349,536	12,302,777	(1,951,898)	10,350,879
Segment assets	14,138,778	64,647,591	78,786,369	14,612,175	93,398,545
Other items:					
Depreciation	496,367	2,045,771	2,542,139	168,064	2,710,204
Investments in associates	301,246	—	301,246	—	301,246
Increase in property, plant and equipment and intangible assets	502,185	2,042,097	2,544,012	136,190	2,680,473

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)

	FY12/2022 (From January 1, 2022 to December 31, 2022)	FY12/2023 (From January 1, 2023 to December 31, 2023)
Net assets per share	¥1,928.77	¥2,178.54
Net income per share	¥271.14	¥218.89
Diluted net income per share	¥270.01	¥218.17

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

	FY12/2022 (From January 1, 2022 to December 31, 2022)	FY12/2023 (From January 1, 2023 to December 31, 2023)
Net income per share		
Net income attributable to owners of parent (¥ thousand)	10,298,622	8,175,492
Value not attributed to common stock (¥ thousand)	—	—
Net income attributable to common shareholders (¥ thousand)	10,298,622	8,175,492
Average number of outstanding shares (shares)	37,982,790	37,349,647
Diluted net income per share		
Net income adjustments attributable to parent company shareholders (¥ thousand)	—	—
The number of shares of common stock increase (shares)	158,764	122,612
[Stock acquisition rights (shares)]	[158,764]	[122,612]
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 (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)	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 17th stock acquisition rights as ordinary stock options (100,000 shares)

(Significant Subsequent Events)

Star Micronics Co., Ltd. (“Star Micronics” or “the Company”) announced that its Board of Directors has resolved to renovate its Kikugawa Factory and construct a new factory as a part of its Machine Tools Segment activities. Brief details are presented as follows.

1. Purpose

- (1) Star Micronics will look to increase its production capacity to meet the growing global demand for Swiss-Type CNC Automatic Lathes. The Company will also build a new factory in Japan to assemble high value-added products and cutting-edge models. In addition to putting in place a monthly production capacity of 100 units, efforts will be made to strengthen the Company’s ability to respond to geopolitical risks through these means.
- (2) Star Micronics current Kikugawa Factory building was constructed more than 35 years ago. The decision to renovate the Factory is therefore geared toward improving the Company’s BCP by strengthening its response to earthquakes and other disasters.
- (3) Star Micronics will work to increase operational and production efficiency, improve quality, and reduce costs by automating operations through such measures as the introduction of robots and the promotion of DX to create a smart factory.
- (4) Star Micronics will install solar panels and other equipment and promote environmentally friendly design and facilities in a bid to realize sustainable factories. Through these endeavors, the Company aims to obtain ZEB certification and contribute to the realization of a sustainable society.

2. Overview of the new factory (1) Kikugawa South Factory (tentative)

- (1) Location: Misawa, Kikugawa City, Shizuoka Prefecture
- (2) Activities: Manufacture of core components
- (3) Structural overview: Steel-framed three-story building
- (4) Building area: Approx. 10,300 m² (approx. 3,120 tsubo)
- (5) Total floor area: Approx. 13,700 m² (approx. 4,150 tsubo)
- (6) Operating expenses: Approx. ¥10 billion
- (7) Start of construction: July 2024 (planned)
- (8) Start of operations: November 2025 (planned)

3. Overview of the new factory (2) Makinohara Factory (tentative)

- (1) Location: Nunohikihara, Makinohara City, Shizuoka Prefecture
- (2) Activities: Body assembly of cutting-edge models
- (3) Structural overview: Steel-framed two-story building
- (4) Building area: Approx. 6,900 m² (approx. 2,090 tsubo)
- (5) Total floor area: Approx. 9,100 m² (approx. 2,760 tsubo)
- (6) Operating expenses: Approx. ¥5 billion
- (7) Start of construction: May 2025 (planned)
- (8) Start of operations: July 2026 (planned)