

# Financial Results for the Fiscal Year 2014 Second Quarter

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STAR MICRONICS CO., LTD.  
<http://www.star-m.jp>

2013/09/30

\* The projections in this document 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.

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※ From the fiscal year ending February 2014, the Components Segment has been renamed the Micro Audio Components Segment.

Profits declined substantially despite net sales were on par with the same period the previous fiscal year

■ Net Sales	: ¥19.25 billion	↓	1.7% down YoY
■ Operating Income	: ¥0.49 billion	↓	58.2% down YoY
■ Ordinary Income	: ¥0.83 billion	↓	34.8% down YoY
■ Net Income	: ¥0.22 billion	↓	88.3% down YoY

- ✓ **Net sales were on par with the same period the previous fiscal year, in part because of the yen's exchange rate falling.**
- ✓ **Profits declined substantially due to a weak performance in the Machine Tools Segment.**
- ✓ **Net income decreased substantially compared to the same period of the previous fiscal year when insurance income to compensate for flood damage in Thailand was recorded as an extraordinary gain.**

# Financial Data



(Millions of Yen)

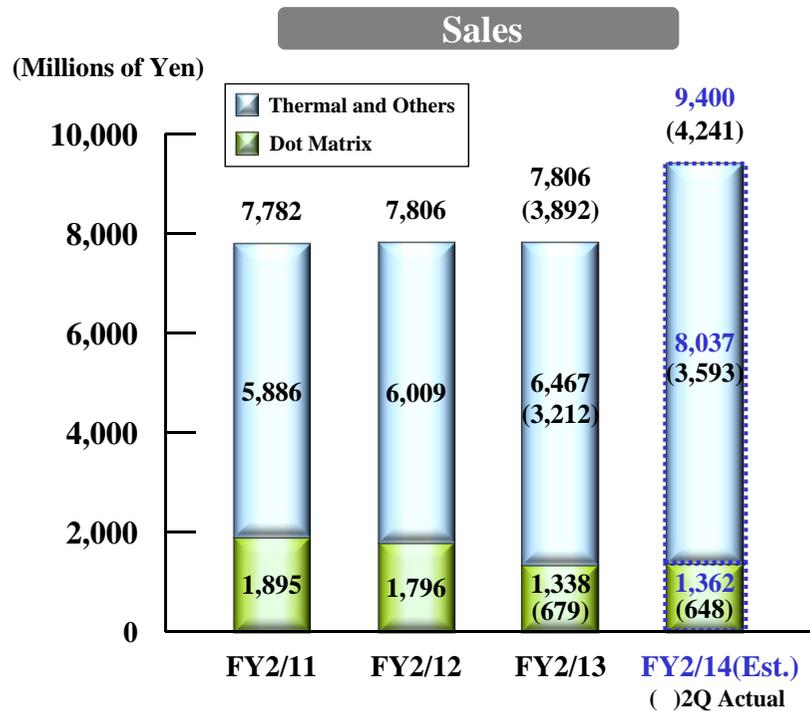
	Second Quarter					Full-Year				
	2Q for FY2/13 Actual		2Q for FY2/14 Actual			FY2/13 Actual		FY2/14 Forecast		
	Amount	Income Ratio (%)	Amount	Income Ratio (%)	YoY Change (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	YoY Change (%)
<b>Sales</b>										
Special Products	3,892		4,241		9.0	7,806		9,400		20.4
Micro Audio Components	1,681		1,429		(15.0)	3,233		2,640		(18.3)
Machine Tools	11,791		11,774		(0.2)	22,897		25,600		11.8
Precision Products	2,229		1,808		(18.9)	3,922		3,660		(6.7)
<b>Total</b>	<b>19,595</b>		<b>19,254</b>		<b>(1.7)</b>	<b>37,858</b>		<b>41,300</b>		<b>9.1</b>
<b>Operating Income</b>										
Special Products	100	2.6	249	5.9	147.2	257	3.3	1,020	10.9	296.1
Micro Audio Components	(121)	-	29	2.0	-	(191)	-	60	2.3	-
Machine Tools	1,839	15.6	1,304	11.1	(29.1)	3,120	13.6	3,420	13.4	9.6
Precision Products	329	14.8	30	1.7	(90.8)	355	9.1	130	3.6	(63.5)
Eliminations or Corporate	(955)		(1,115)			(1,963)		(2,130)		
<b>Total</b>	<b>1,193</b>	<b>6.1</b>	<b>498</b>	<b>2.6</b>	<b>(58.2)</b>	<b>1,579</b>	<b>4.2</b>	<b>2,500</b>	<b>6.1</b>	<b>58.3</b>
<b>Ordinary Income</b>	<b>1,279</b>	<b>6.5</b>	<b>833</b>	<b>4.3</b>	<b>(34.8)</b>	<b>2,254</b>	<b>6.0</b>	<b>2,900</b>	<b>7.0</b>	<b>28.6</b>
<b>Net Income</b>	<b>1,936</b>	<b>9.9</b>	<b>227</b>	<b>1.2</b>	<b>(88.3)</b>	<b>2,299</b>	<b>6.1</b>	<b>1,700</b>	<b>4.1</b>	<b>(26.1)</b>

<b>ROE (%)</b>	-	-	6.0	4.1
<b>Cash Dividends Applicable to the Year</b>	¥15	¥17	¥30	¥34
<b>DOE (%)</b>	-	-	3.3	3.5

※ROE(Return on Equity) =Net Income/Shareholders' Equity (average for the beginning and end of the period)x 100(%)

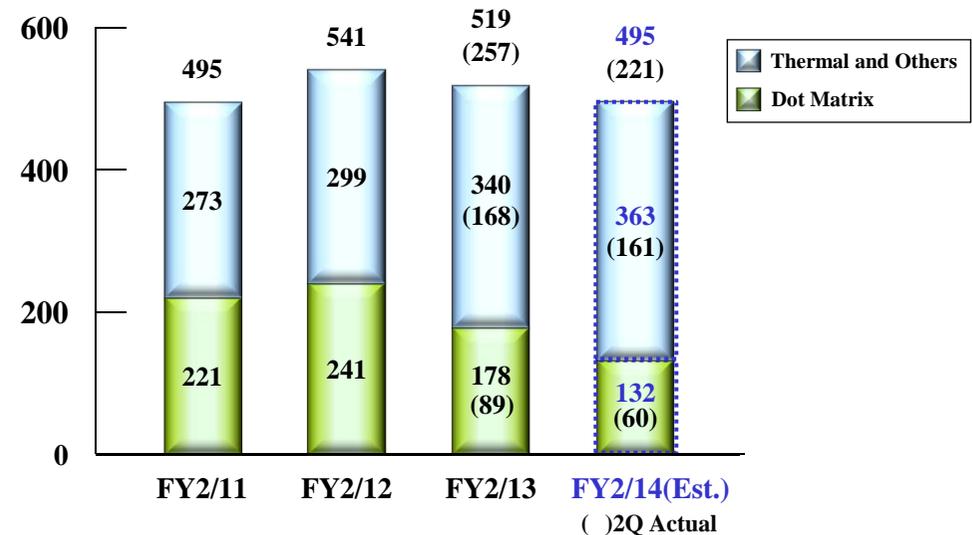
※DOE(Dividend on Equity) =The ratio of the non-consolidated dividend per common share (annual) /consolidated net assets per share(year average)x 100(%)

		2nd Half		Full-Year			
		Assumed Exchange Rate	Sensitivity of operating income to a ¥1 change in foreign exchange rates	Assumed Exchange Rate			
<b>Exchange Rate</b>	<b>US\$</b>	¥ 79.75	¥ 95.59	¥ 79.83	¥ 95.00	¥11 million	¥ 95.30
	<b>EUR</b>	¥103.45	¥125.50	¥102.63	¥125.00	¥15 million	¥125.25
	<b>GBP</b>	¥125.72	¥147.39	¥126.50	¥146.00	¥ 3 million	¥146.70
	<b>CHF</b>	¥ 85.88	¥102.01	¥ 85.17	¥102.00	¥14 million	¥102.00

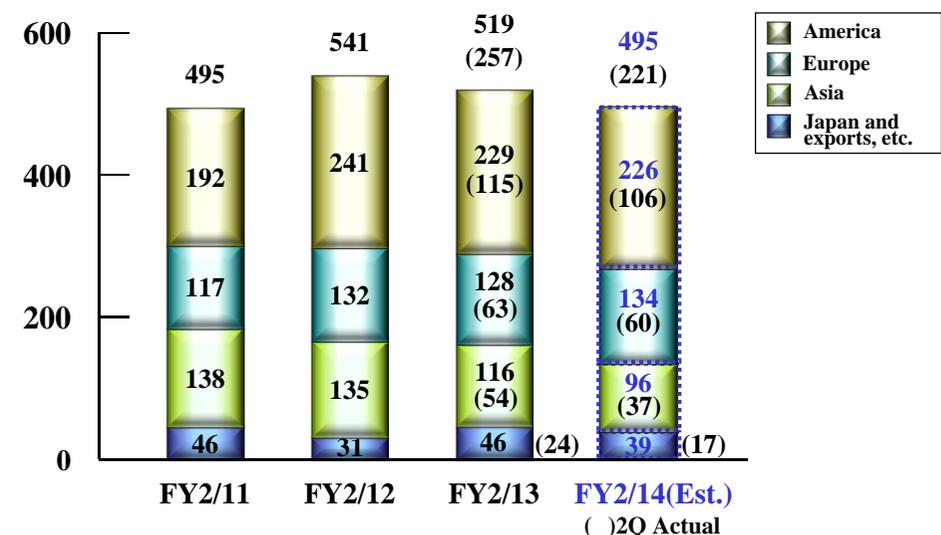


- Sales of thermal printers rose on the back of robust growth in demand from markets in North America and Japan. Other contributing factors included new orders captured in the European market, as well as the yen's depreciation.
- Sales of dot-matrix printers declined mainly due to stagnant demand in Europe reflecting the effects of the economic slowdown, and due to the impact in the Asian market of the sluggish pace of growth in the Chinese economy.

### Sales Volume by POS Printers Type



### Sales Volume by Region

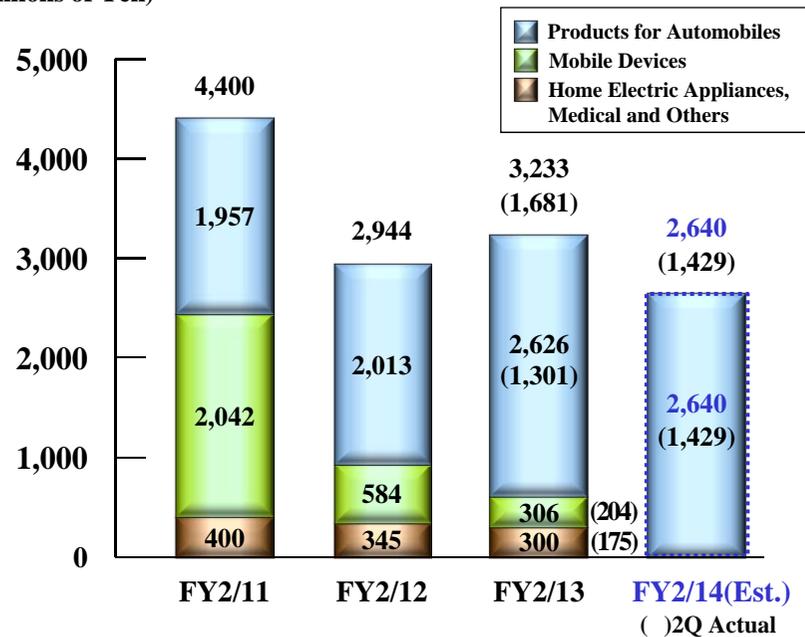


# Micro Audio Components



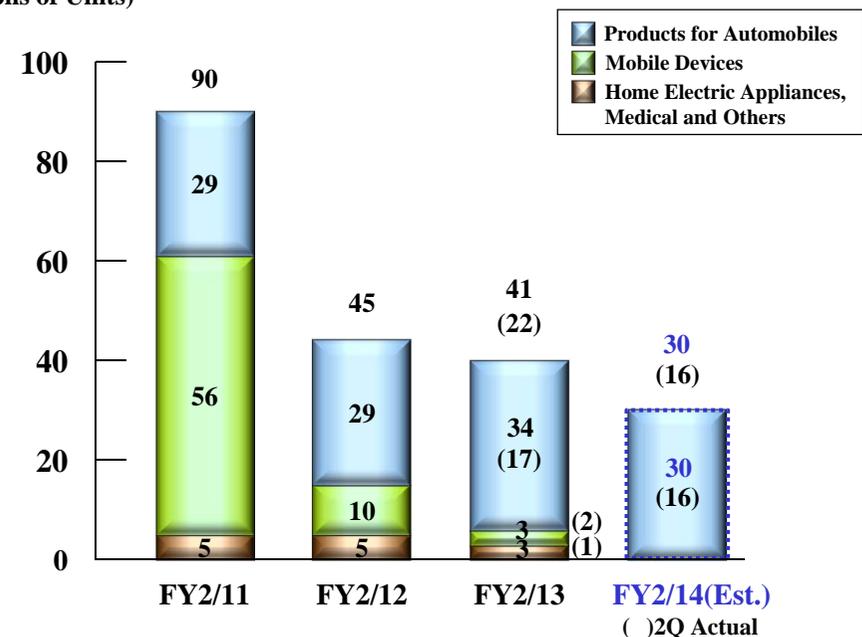
Sales

(Millions of Yen)

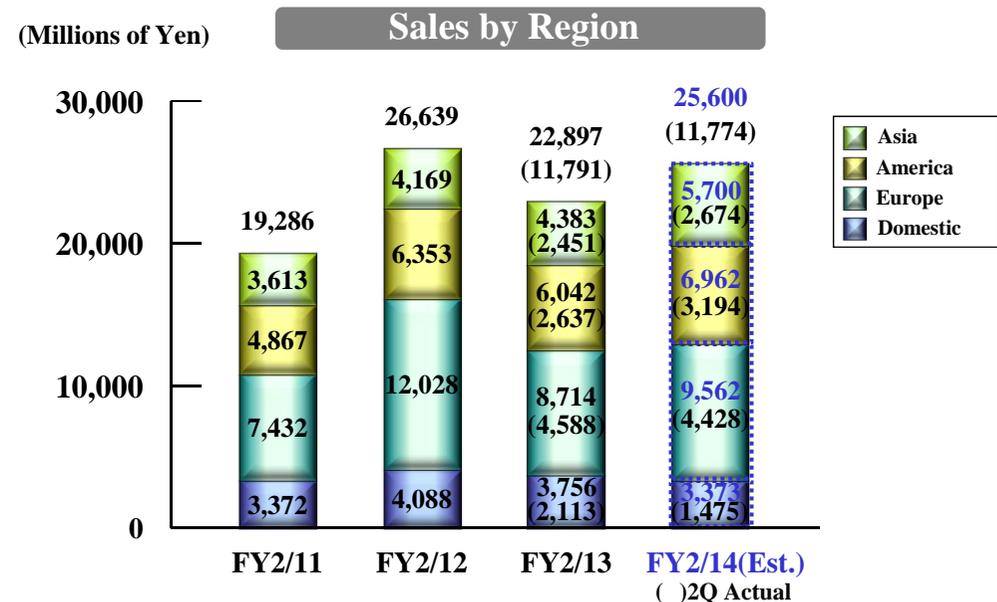
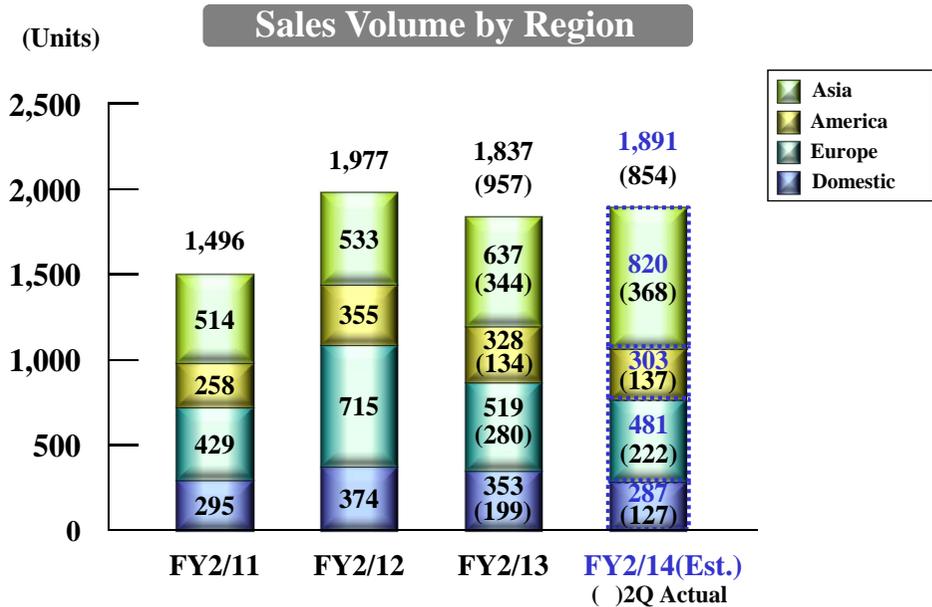
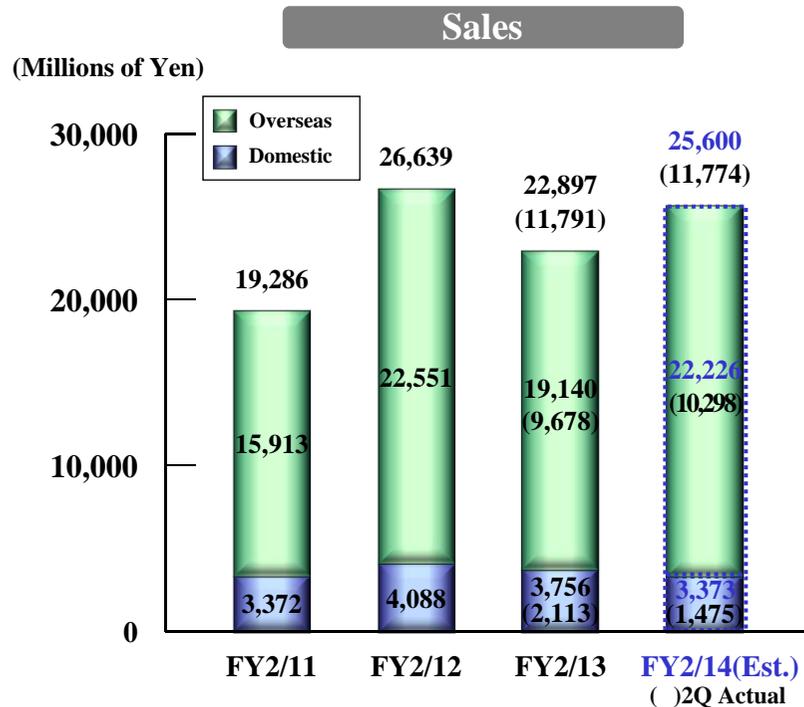


Sales Volume by Markets

(Millions of Units)



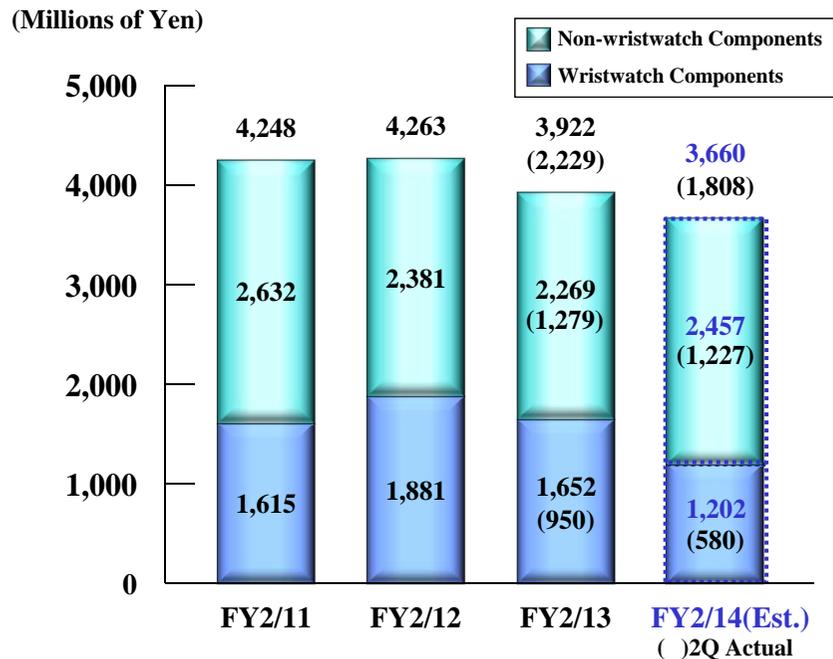
- This segment is making preparations for its scheduled termination while ensuring that it continues to fulfill its supply responsibilities to customers.
- Star Micronics signed an agreement with Foster Electric Company, Limited to transfer the Micro Audio Components Segment to the latter on January 1, 2014 (planned).



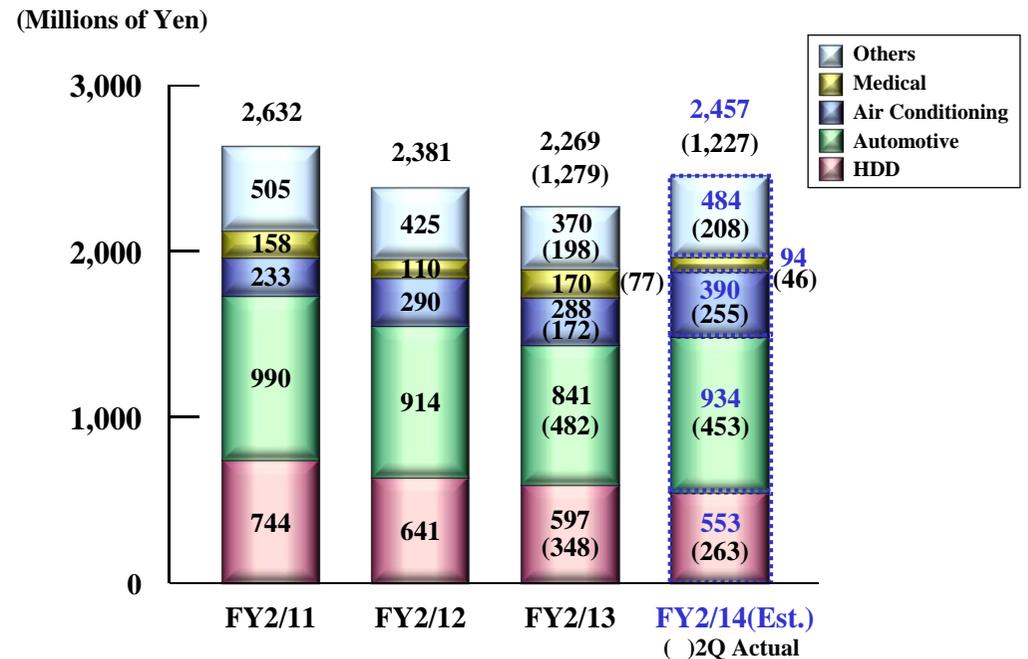
- Sales in the U.S. increased on the back of steady growth in the medical equipment and other sectors.
- Sales in the Asian market rose atop growth in demand from the mobile device-related sector in East Asia.
- Sales in the mainstay European market decreased due to lackluster market conditions.
- The outlook for the Japanese market continued to remain uncertain mainly due to the impact of the shift to offshore production by the manufacturing sector. Consequently, there was a large decrease in sales in Japan.



## Sales



## Sales of Non-wristwatch Components

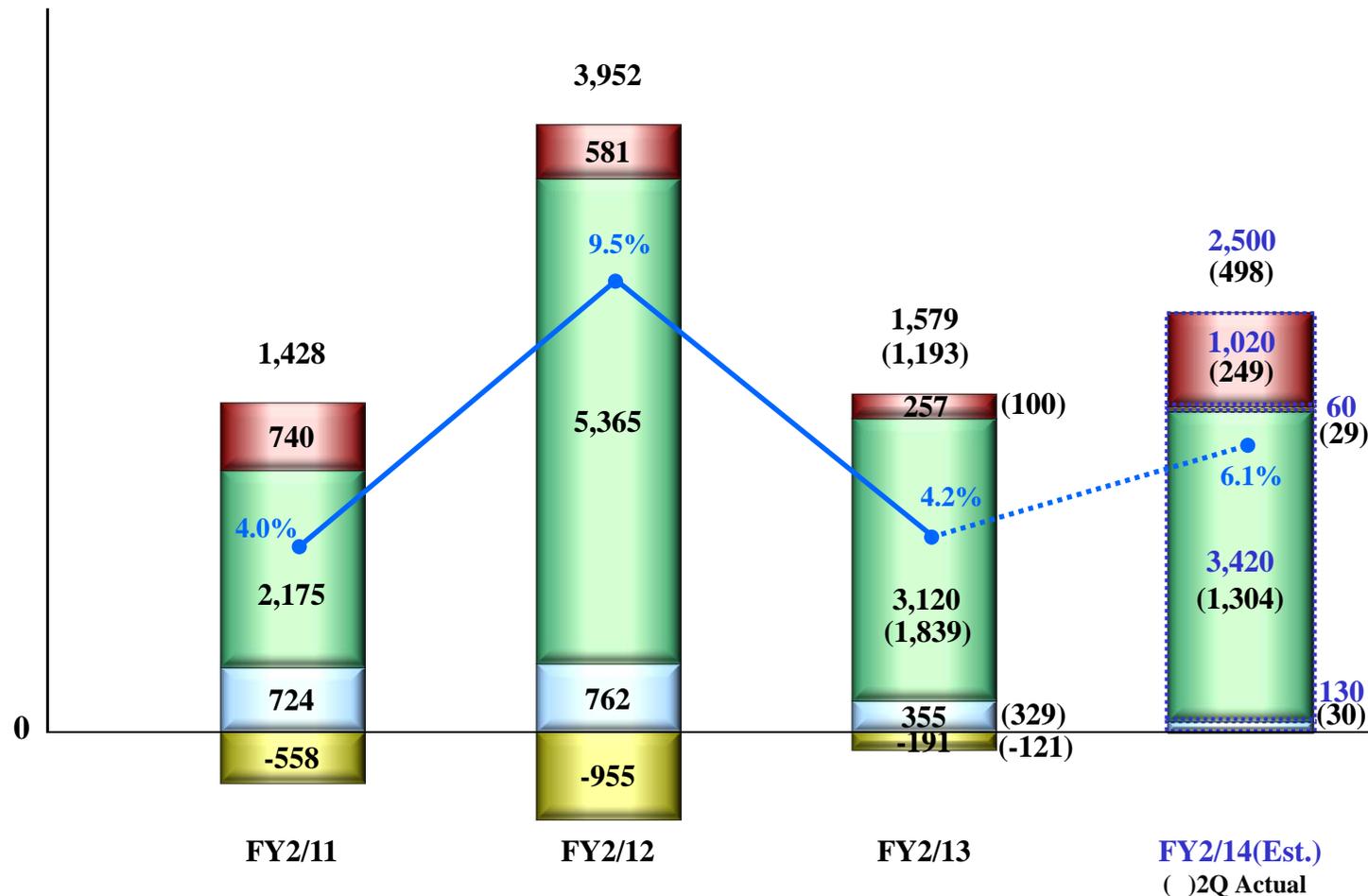


- Sales of wristwatch components fell sharply due to the continuing impact of production cutbacks by wristwatch makers.
- Sales of non-wristwatch components also declined overall. This mainly reflected sluggish sales of automobile-related components due chiefly to lackluster market conditions. In addition, sales of components for hard disk drives (HDDs) decreased, reflecting the impact of lower PC sales. These sales declines were partly offset by brisk sales of air conditioning-related components.

# Operating Income by Segment



(Millions of Yen)

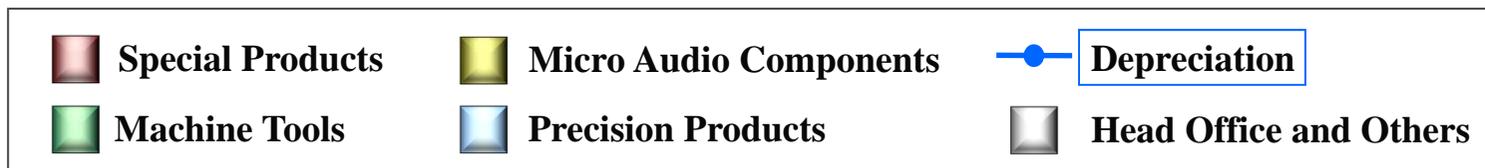
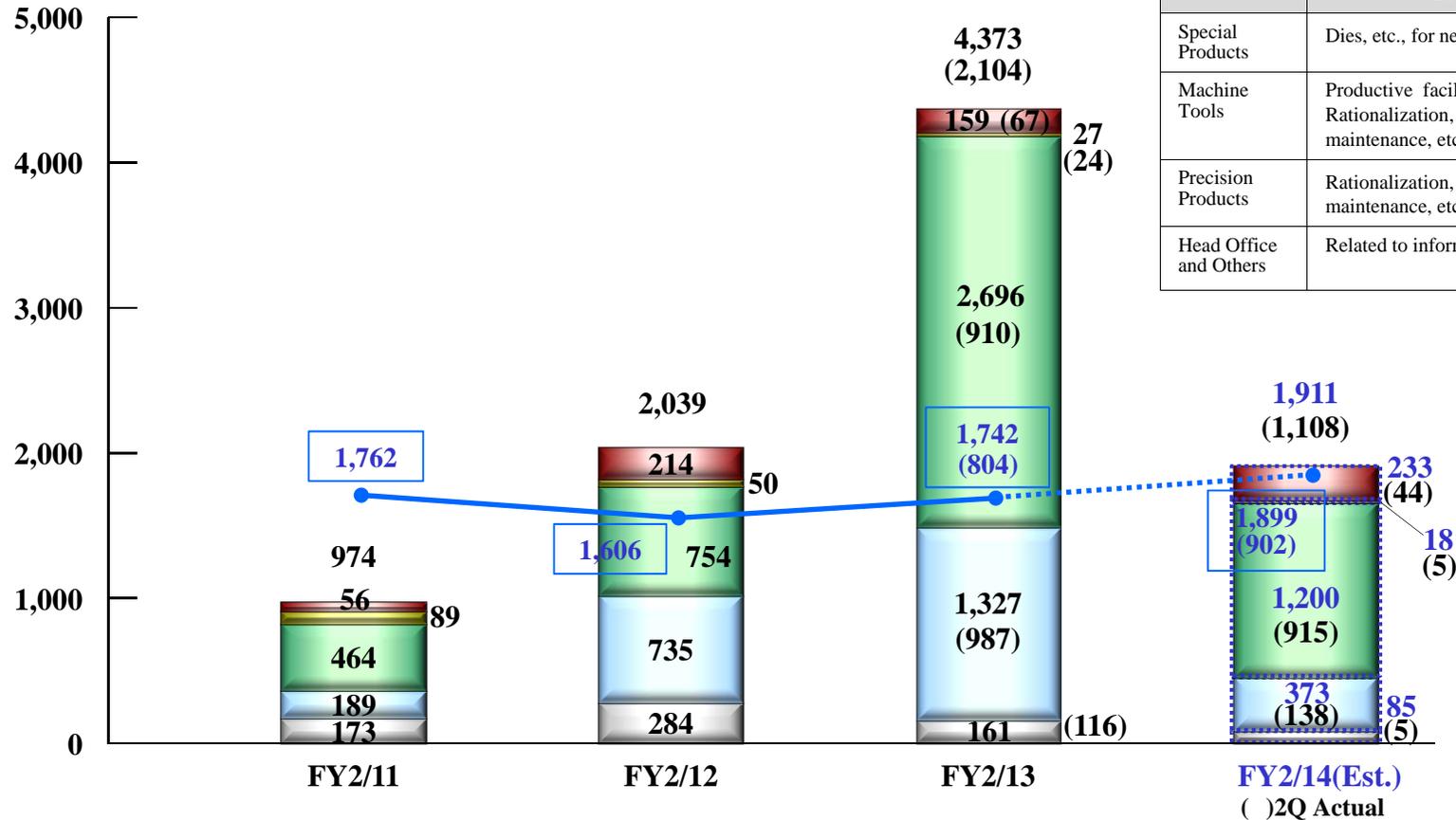


\*Operating income totals exclude eliminations and corporate.

# Capital Investment



(Millions of Yen)



# Balance Sheets



(Millions of Yen)

		Feb.2011 Actual		Feb.2012 Actual		Feb.2013 Actual		Feb.2014 Forecast	
		Amount	Component percentages	Amount	Component percentages	Amount	Component percentages	Amount	Component percentages
<b>Assets</b>	Cash and deposit	14,769	30%	15,640	30%	13,987	27%	15,900	28%
	Trade notes and accounts receivable	9,288	19%	9,849	19%	9,148	17%	11,700	21%
	Inventories	9,522	19%	11,378	22%	11,398	22%	10,400	18%
	Other current assets	1,256	3%	1,433	3%	1,291	2%	1,100	2%
	Total current assets	34,835	71%	38,302	74%	35,826	68%	39,100	69%
	Property, plant and equipment	10,549	21%	10,289	20%	13,476	26%	14,200	25%
	Other fixed assets	3,866	8%	3,333	6%	3,261	6%	3,300	6%
	Total fixed assets	14,415	29%	13,622	26%	16,737	32%	17,500	31%
	Total assets	49,250	100%	51,924	100%	52,564	100%	56,600	100%

<b>Liabilities</b>	Trade notes and accounts payable	5,862	12%	7,554	14%	5,281	10%	5,100	9%
	Short-term debt	2,000	4%	2,000	4%	2,000	4%	2,000	4%
	Other current liabilities	3,869	8%	4,983	10%	4,269	8%	5,653	10%
	Total current liabilities	11,731	24%	14,538	28%	11,550	22%	12,753	23%
	Total long-term liabilities	422	1%	406	1%	303	1%	300	0%
	Total liabilities	12,154	25%	14,944	29%	11,854	23%	13,053	23%
<b>Net assets</b>	Total net assets	37,096	75%	36,980	71%	40,710	77%	43,547	77%
Total liabilities and net assets		49,250	100%	51,924	100%	52,564	100%	56,600	100%

## Cash Flows

(Millions of Yen)

	Feb.2011 Actual	Feb.2012 Actual	Feb.2013 Actual	Feb.2014 Forecast
Net cash provided by operating activities	3,520	4,466	483	4,600
Net cash used in investing activities	(1,517)	(393)	(1,907)	(2,100)
Free cash flow	2,003	4,073	(1,424)	2,500
Net cash used in financing activities	(1,813)	(2,092)	(1,201)	(1,400)
Cash and cash equivalents at end of year	13,217	14,735	13,198	15,300

※The year-end balance of cash and cash equivalents shown here differs from the cash and cash equivalents shown in the balance sheets, mainly because it does not include time deposits over 3-month period.

## Financial Benchmarks

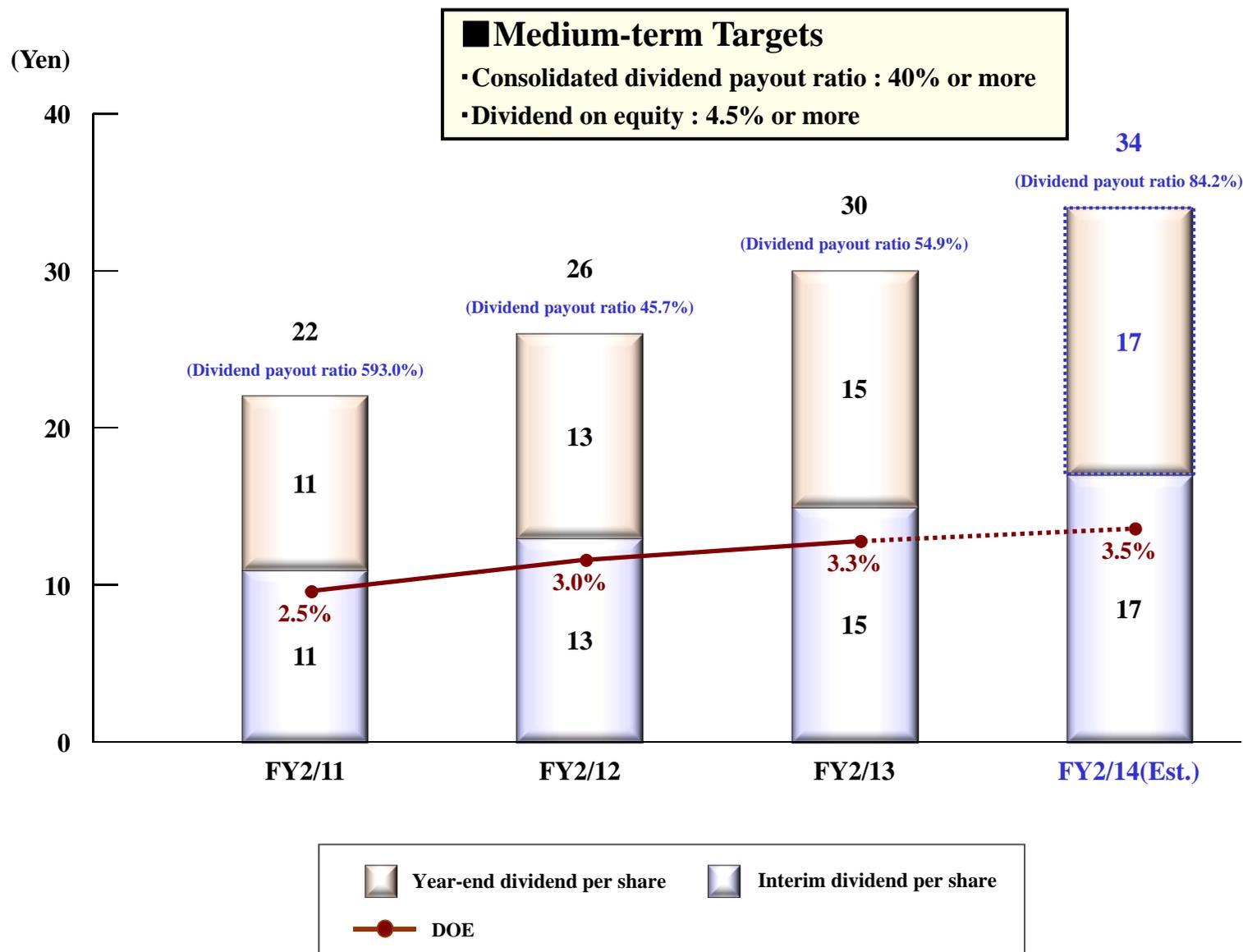
	Feb.2011 Actual	Feb.2012 Actual	Feb.2013 Actual	Feb.2014 Forecast
Total asset turnover	0.7 times	0.8 times	0.7 times	0.8 times
Equity ratio	73.9%	70.2%	76.1%	75.4%
Return on equity(ROE)	0.4%	6.7%	6.0%	4.1%
Return on assets(ROA)	2.4%	8.0%	4.3%	5.3%
Earnings per share(EPS)	¥3.71	¥56.94	¥54.66	¥40.40
Book value per share(BPS)	¥845.31	¥866.94	¥951.14	¥1,014.07
Dividend on equity (DOE)	2.5%	3.0%	3.3%	3.5%

## Research and Development Costs

(Millions of Yen)

	Feb.2011 Actual	Feb.2012 Actual	Feb.2013 Actual	Feb.2014 Forecast
R&D costs	1,754	1,807	1,894	1,934

# Shareholder Returns



# Performance Indicators (10-Year Data)



	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Income Ratio(%)	Ordinary Income (Millions of Yen)	Income Ratio(%)	Net Income (Millions of Yen)	Income Ratio(%)	EPS (Yen)	ROE (%)	DOE (%)	Dividends Per Share (Yen)
FY2/04	43,331	3,549	8.2	3,593	8.3	2,425	5.6	44.12	5.4	1.3	11.0
FY2/05	49,689	6,343	12.8	6,357	12.8	3,775	7.6	70.13	8.2	1.7	15.0
FY2/06	54,788	8,108	14.8	8,386	15.3	5,151	9.4	95.60	10.1	2.2	21.0
FY2/07	62,670	10,444	16.7	10,862	17.3	7,012	11.2	131.09	12.2	3.0	32.0
FY2/08	73,883	14,651	19.8	15,170	20.5	8,080	10.9	150.74	12.8	4.7	56.0
FY2/09	56,952	8,544	15.0	8,923	15.7	4,338	7.6	85.66	7.3	3.8	45.0
FY2/10	29,180	(3,984)	-	(3,884)	-	(8,555)	-	(187.95)	-	2.2	22.0
FY2/11	35,717	1,428	4.0	1,194	3.3	161	0.5	3.71	0.4	2.5	22.0
FY2/12	41,654	3,952	9.5	4,025	9.7	2,426	5.8	56.94	6.7	3.0	26.0
FY2/13	37,858	1,579	4.2	2,254	6.0	2,299	6.1	54.66	6.0	3.3	30.0
FY2/14(Est.)	41,300	2,500	6.1	2,900	7.0	1,700	4.1	40.40	4.1	3.5	34.0

# Reference: Business Segments and Products



## Special Products

POS Printer  
TSP100ECO



Mobile Printer  
SM-S220



Card Reader/Writer  
TCP300 II

## Machine Tools



Swiss Type Automatic Lathe  
ST-38



Turning Center  
SF-25



CNC Automatic Lathe  
SG-42

## Precision Products

Wristwatch Components



Non-Wristwatch Components  
(Automotive, Air Conditioning, HDD and Medical Components)



(Automotive Components)

## Micro Audio Components



Speaker  
SAC-30A



Magnetic Sounder  
TMX-12F