

Financial Results for Fiscal 2016, the Year Ended February 29, 2016

STAR MICRONICS CO., LTD.

<http://www.star-m.jp>

Code 7718

April 12, 2016

* 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.

■ Overview of Fiscal 2016	P2	■ Balance Sheets	P10
■ Financial Data	P3	■ Cash Flows	P11
■ Sales by Segment	P4	■ Key Financial Indicators	P12
■ Quarterly Information (Net Sales and Operating Income)	P5	■ Shareholder Returns	P13
■ Segment Overview		■ Medium-term Strategy	P14
▪ Special Products	P6	■ Medium-term Targets	P15
▪ Machine Tools	P7	■ Performance Indicators (10-Year Data)	P16
▪ Precision Products	P8	■ Reference:	P17
■ Capital Investment / R&D Costs	P9	Business Segments and Products	

Sales increased year on year,
and earnings increased year on year.

■ Net Sales	:	¥54.45 billion	6.9%	up	YoY
■ Operating Income	:	¥5.73 billion	4.7%	up	YoY
■ Ordinary Income	:	¥5.20 billion	15.4%	down	YoY
■ Net Income	:	¥3.72 billion	20.8%	down	YoY

✓ **In addition to robust sales in the Machine Tools Segment, increase in sales and operating income also as a result of the positive flow-on effects of the weak yen.**

✓ **Ordinary income impacted by the incidence of a foreign exchange loss recorded as a non-operating expense.**

Financial Data



(Millions of Yen)

	FY2/15Actual			FY2/16Actual			FY2/17 Forecast						
	Full-Year			Full-Year			1st Half		2nd Half		Full-Year		
	Amount	Income Ratio (%)	2014/2015 Change (%)	Amount	Income Ratio (%)	2015/2016 Change (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	2016/2017 Change (%)
Sales													
Special Products	11,555		22.2	11,381		(1.5)	5,830		6,470		12,300		8.1
Machine Tools	34,578		28.2	38,150		10.3	14,920		16,720		31,640		(17.1)
Precision Products	4,824		24.0	4,926		2.1	2,350		2,450		4,800		(2.6)
Cloud Services ^{※1}	-		-	-		-	-		60		60		-
Total	50,957		17.2	54,457		6.9	23,100		25,700		48,800		(10.4)
Operating Income													
Special Products	1,739	15.1	78.2	1,744	15.3	0.3	870	14.9	1,130	17.5	2,000	16.3	14.6
Machine Tools	5,398	15.6	50.1	5,843	15.3	8.2	1,640	11.0	2,780	16.6	4,420	14.0	(24.4)
Precision Products	692	14.4	394.2	593	12.0	(14.3)	290	12.3	360	14.7	650	13.5	9.5
Cloud Services ^{※1}	-	-	-	(202)	-	-	(220)	-	(110)	-	(330)	-	-
Eliminations or Corporate	(2,354)			(2,243)			(1,010)		(1,230)		(2,240)		
Total	5,476	10.7	110.1	5,735	10.5	4.7	1,570	6.8	2,930	11.4	4,500	9.2	(21.5)
Ordinary Income	6,150	12.1	91.1	5,206	9.6	(15.4)	1,670	7.2	3,030	11.8	4,700	9.6	(9.7)
Net Income^{※2}	4,695	9.2	310.7	3,720	6.8	(20.8)	1,400	6.1	2,800	10.9	4,200	8.6	12.9

※1. Special Products is including Cloud Services in consolidated earning report and other disclosure information.

※2. Profit attributable to owners of parent

ROE (%)^{※3}	9.8	7.4	8.4
Cash Dividends Applicable to the Year	¥44	¥46	¥48
DOE (%)^{※4}	3.9	3.9	4.1

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

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

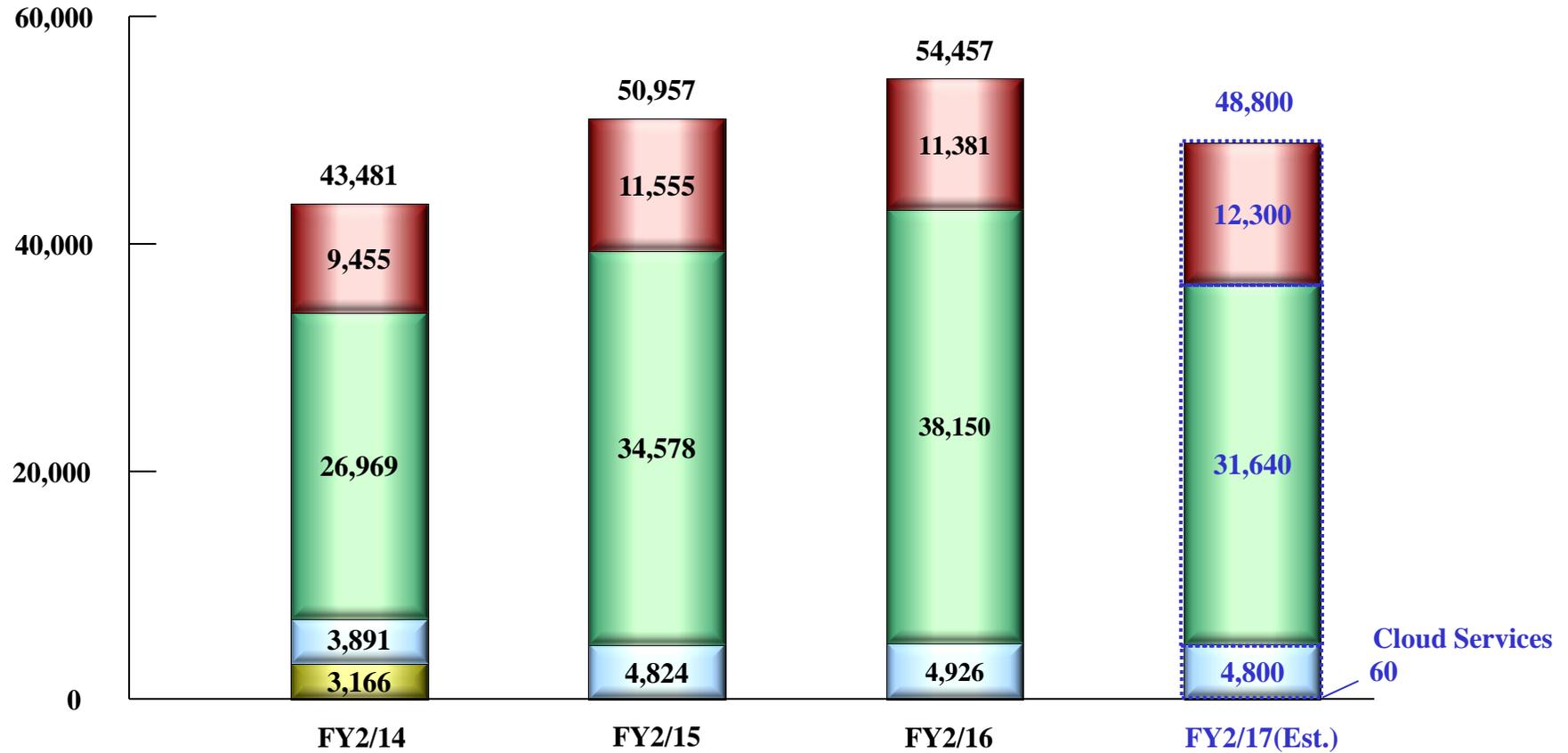
Exchange Rate				Full-Year Assumption	Foreign Exchange Sensitivity ^{※5}
		US\$	¥105.86	¥121.05	¥115.00
	EUR	¥140.43	¥134.32	¥125.00	¥42 million
	GBP	¥174.21	¥185.12	¥160.00	¥9 million
	CHF	¥115.62	¥125.97	¥115.00	¥27 million

※5. Foreign Exchange Sensitivity: Sensitivity of operating income to a ¥1 change in foreign exchange rates.

Sales by Segment



(Millions of Yen)



Special Products
 Machine Tools
 Precision Products
 Cloud Services
 Micro Audio Components

Quarterly Information (Net Sales and Operating Income)



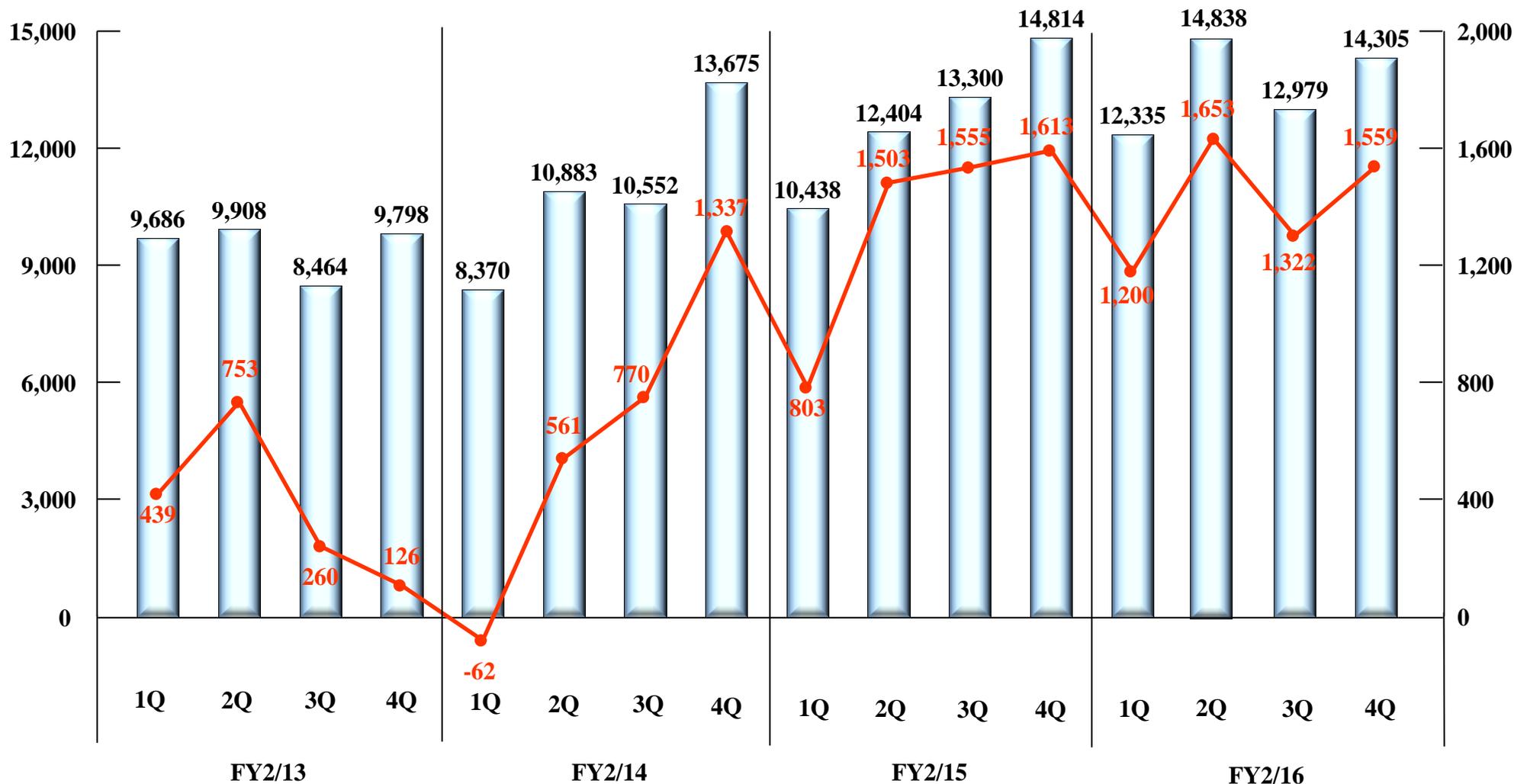
Net Sales

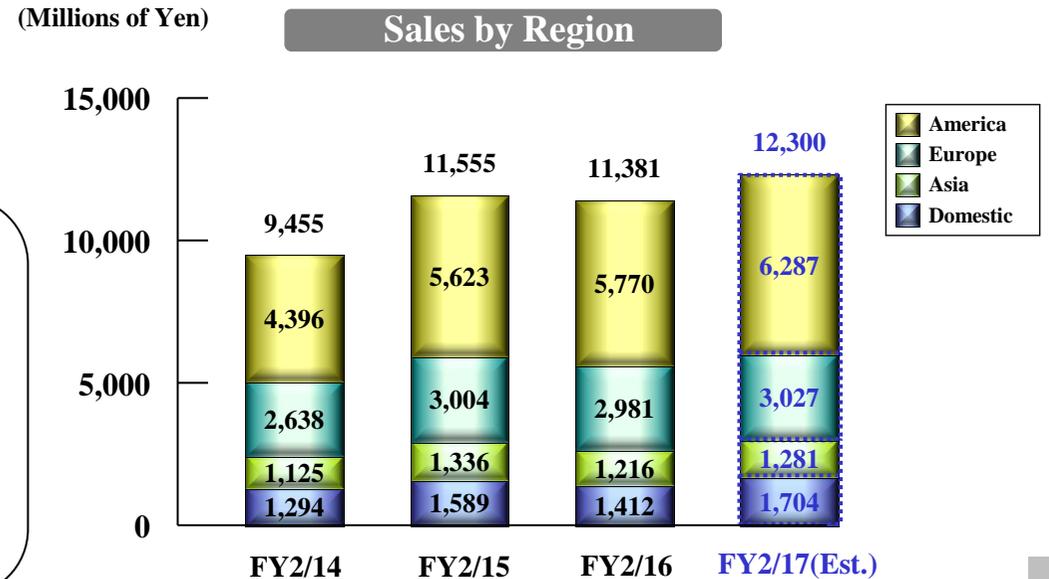
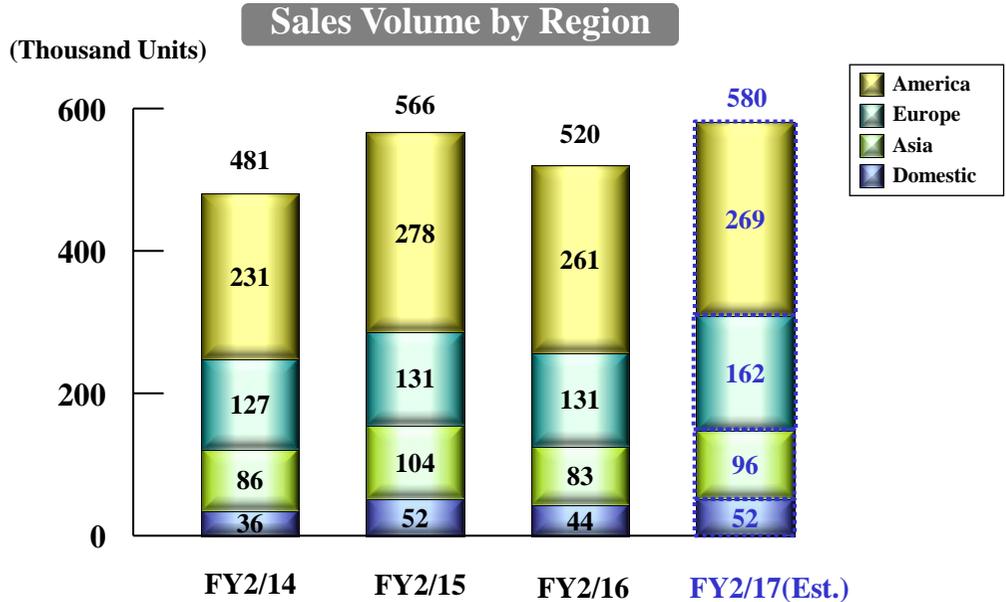
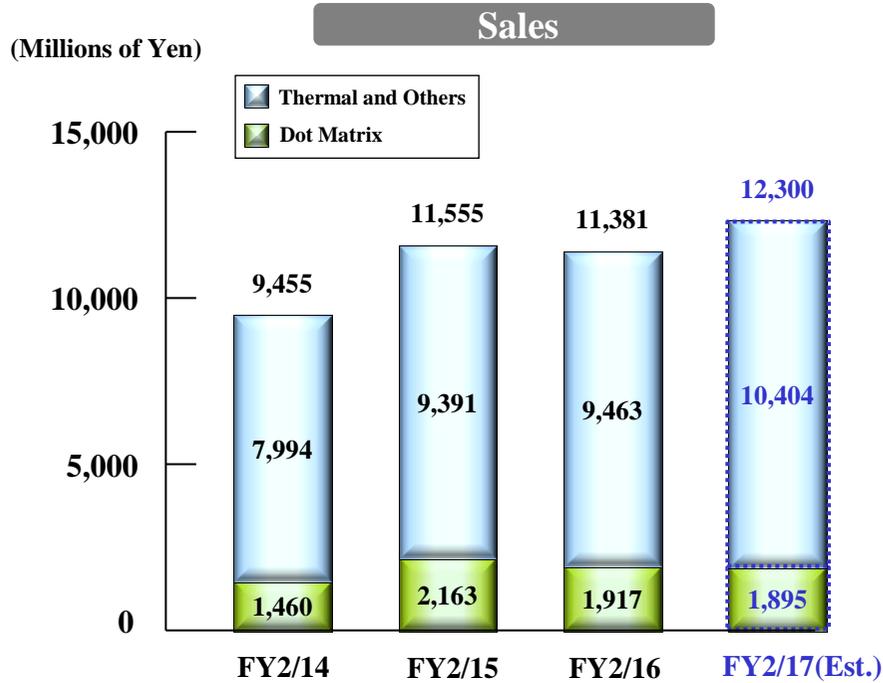
(Millions of Yen)

Net Sales Operating Income

Operating Income

(Millions of Yen)



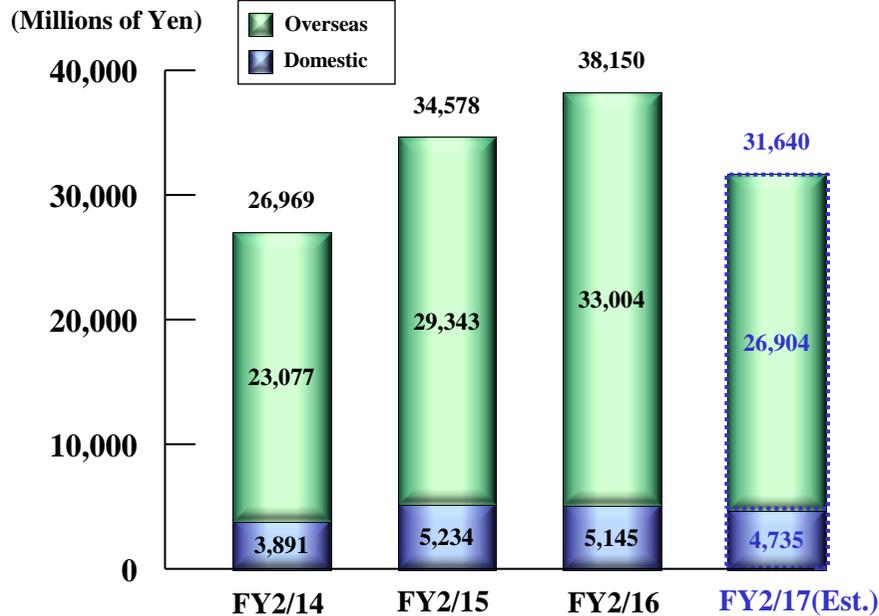


- Sales were held to slight increase owing mainly to the negative impact of inventory adjustments by sales agents in the U.S. market.
- Accounting for the slow pace of recovery in the European market, sales was unchanged from the previous fiscal year.
- In the Asian market, sales declined due mainly to the sluggish performance in China.
- Owing to such factors as the absence of large-scale orders, sales in the domestic Japanese market also declined.

Machine Tools

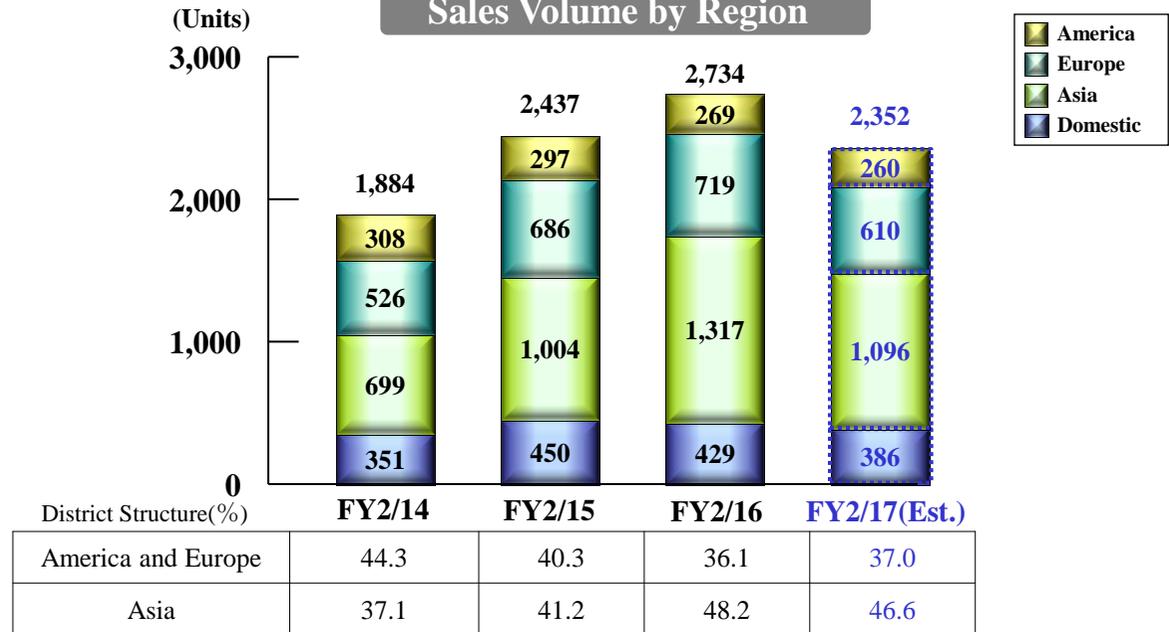


Sales

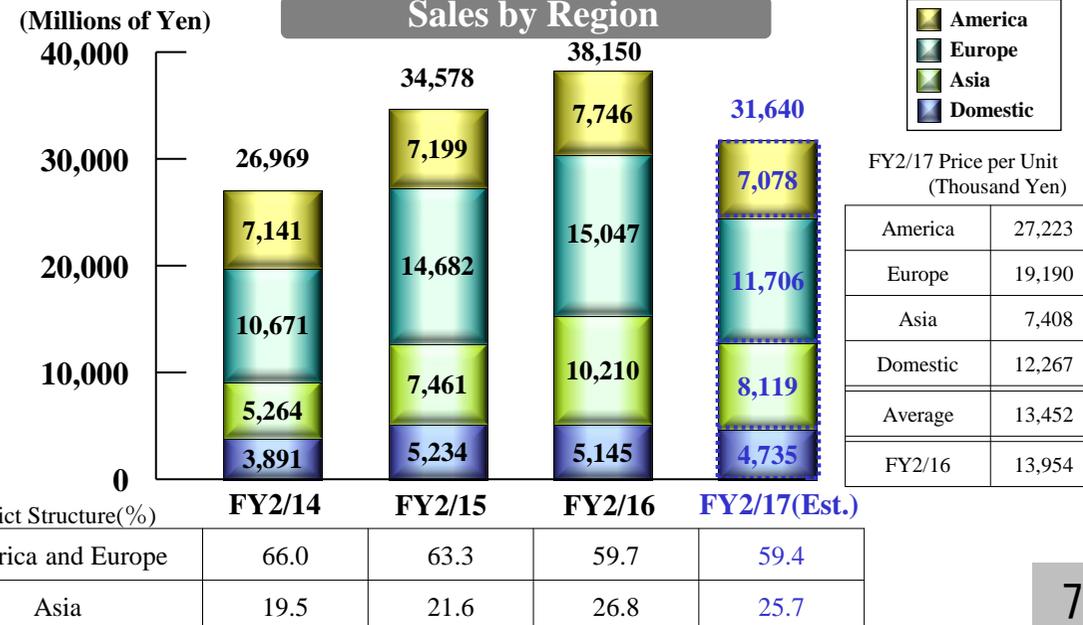


- Sales increased substantially in the U.S. market. This was largely due to firm sales in the medical equipment related sector and the weak yen.
- In Europe, sales were steady compared with the corresponding period of the previous fiscal year, mainly on the back of solid sales in the automotive-related sector.
- Sales grew significantly in the Asian market. This was largely attributable to strong sales in the automotive-related sector primarily in East Asia.
- In Japan, sales saw a slight decrease. This in part reflected the downturn in demand following the end of a round of government subsidies over the second half.

Sales Volume by Region

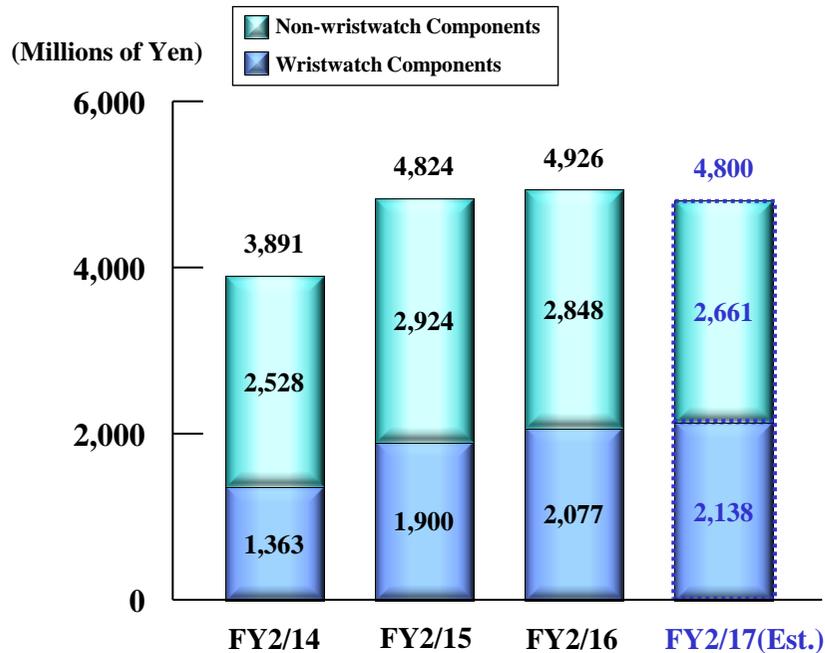


Sales by Region

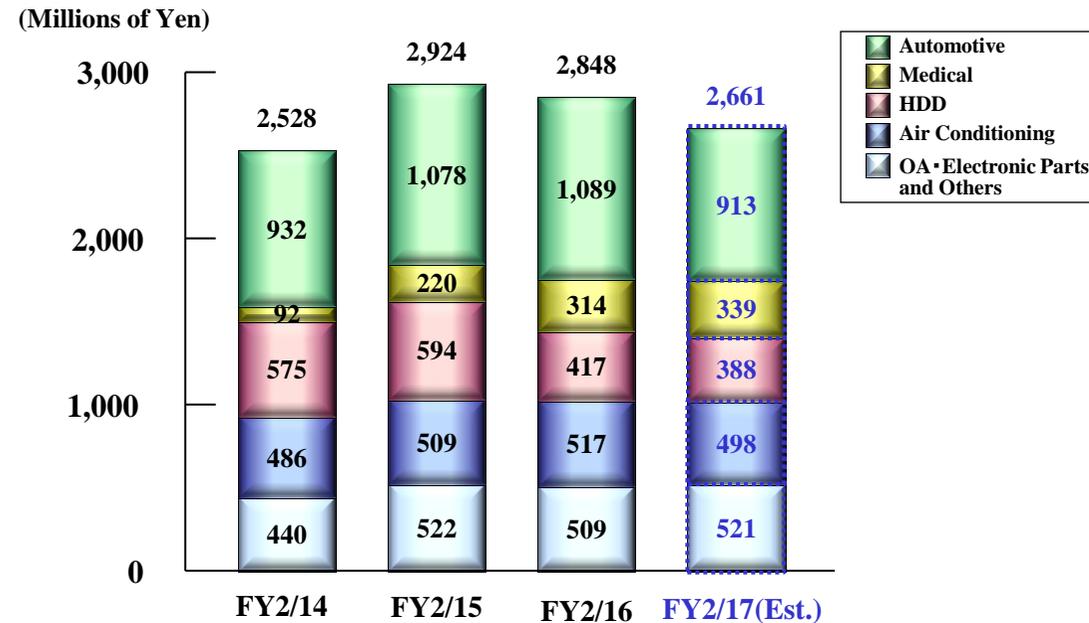




Sales



Sales of Non-wristwatch Components

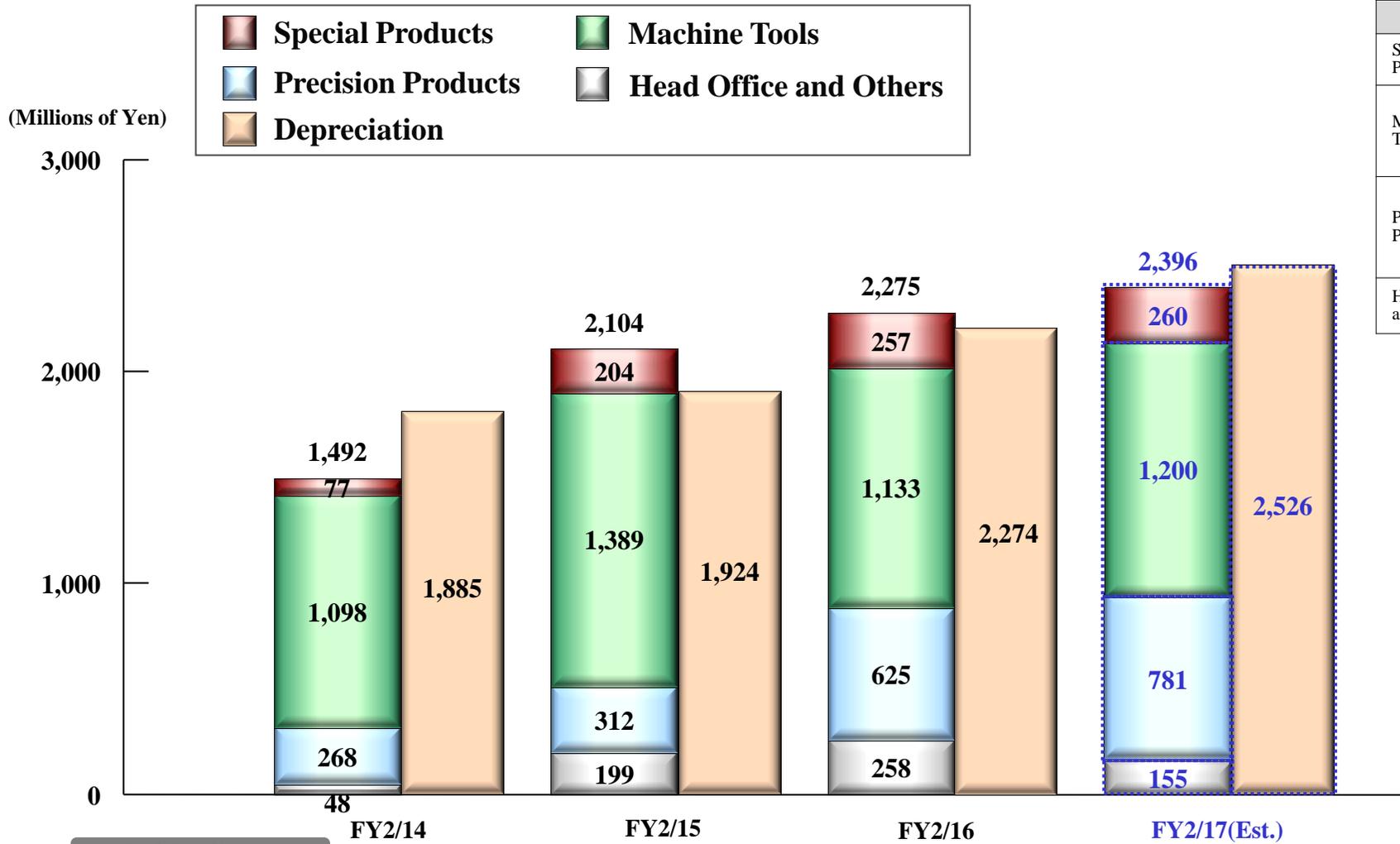


- Sales of wristwatch components increased due to strong sales to wristwatch makers.
- Despite a boost from the weak yen, sale of non-wristwatch components declined slightly due to a slump in sales of components for HDDs.

Capital Investment / R&D Costs



Capital Investment



【Main Capital Investment Plans】

	Breakdown
Special Products	Dies for new models, etc.
Machine Tools	Replacement and maintenance, productive facilities for rationalization, etc.
Precision Products	Increase production and rationalization, production facilities for elimination of labor, etc.
Head Office and Others	Related to information systems, etc.

R&D Costs

	FY2/14	FY2/15	FY2/16	FY2/17(Est.)
R&D costs	1,946	1,947	2,005	2,198

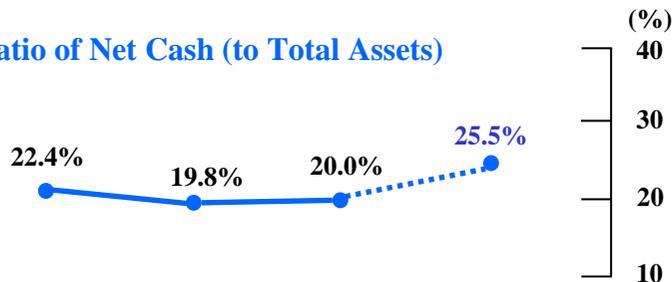
(Millions of Yen)

Balance Sheets

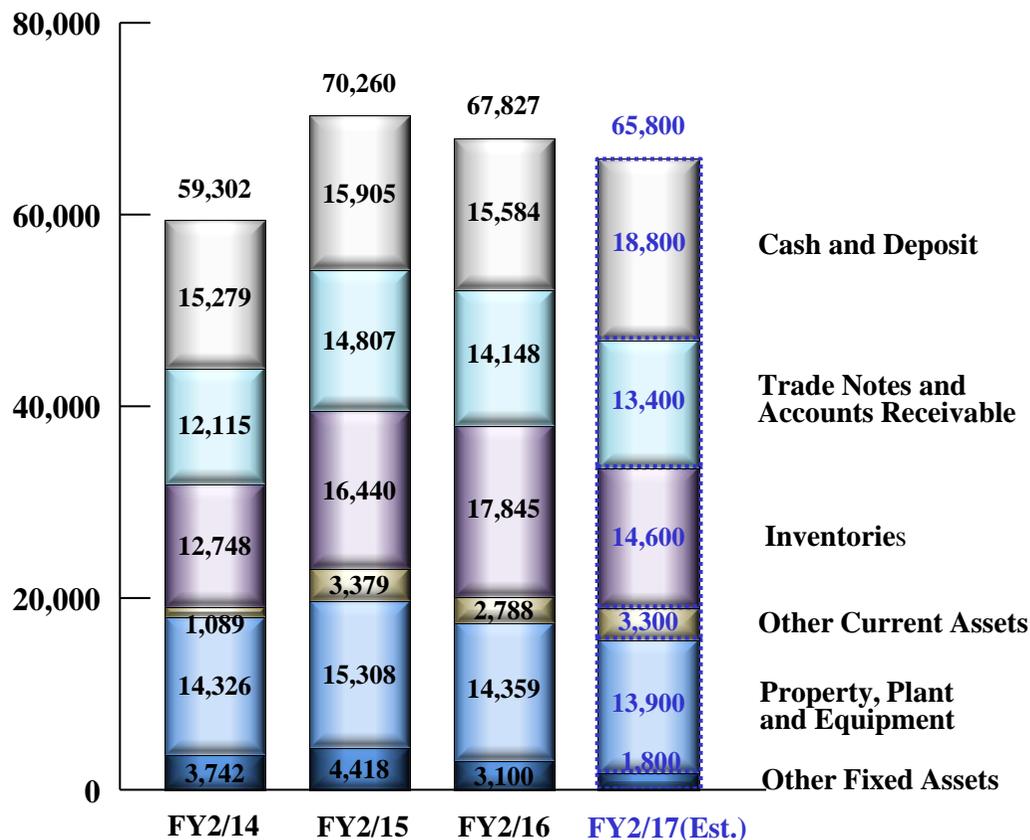


Assets

Ratio of Net Cash (to Total Assets)

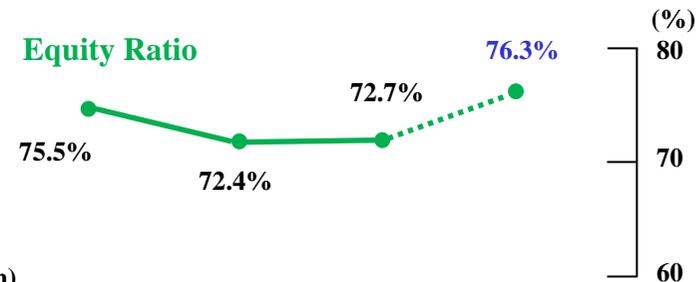


(Millions of Yen)

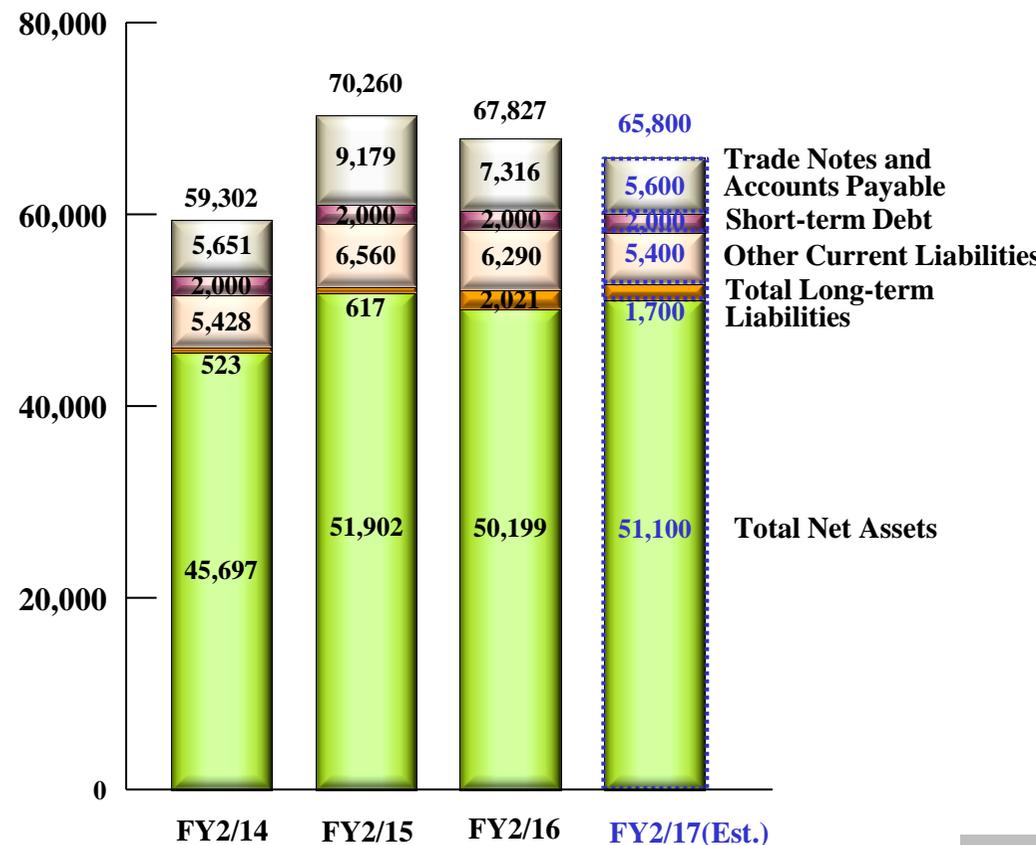


Liabilities/Net assets

Equity Ratio

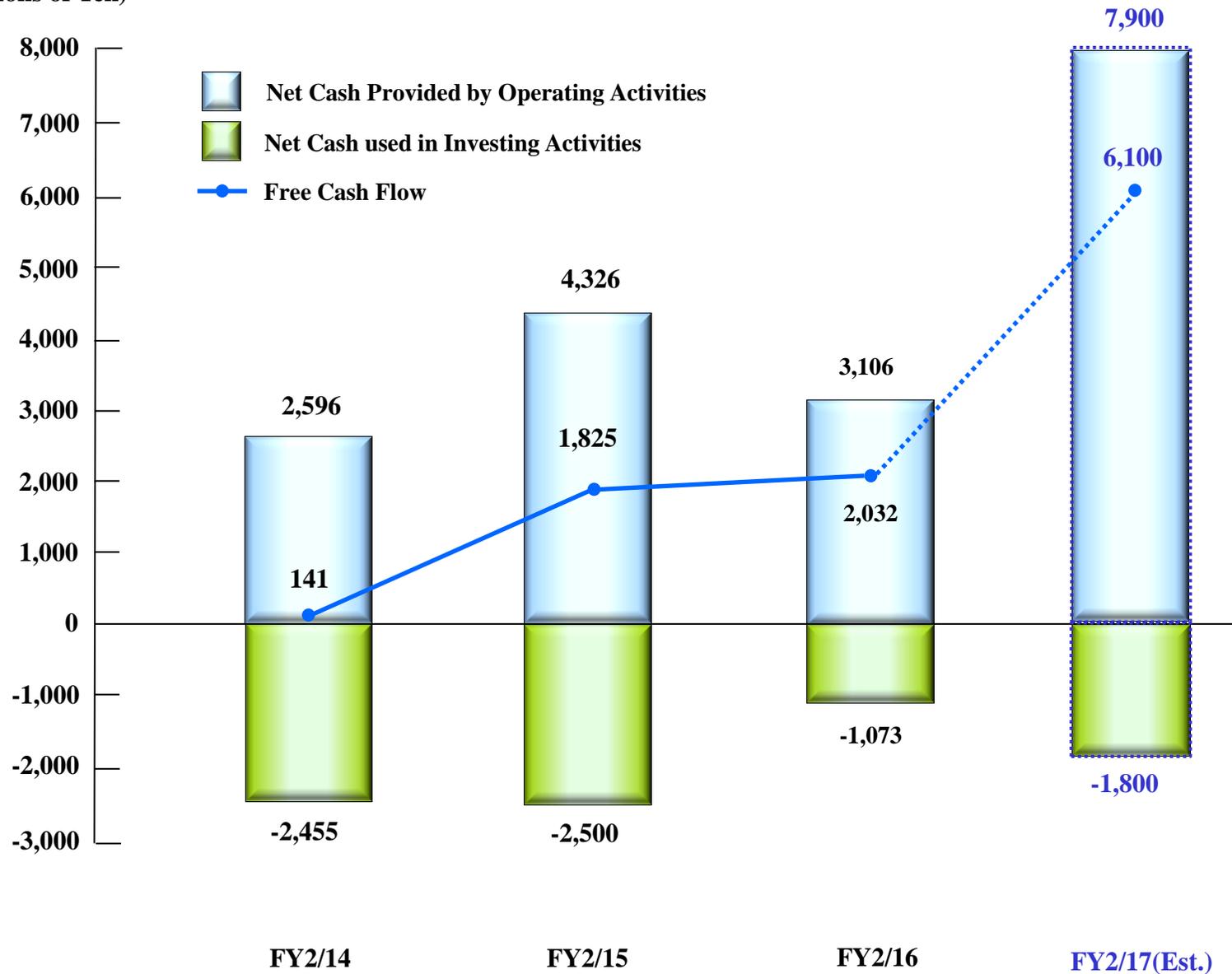


(Millions of Yen)

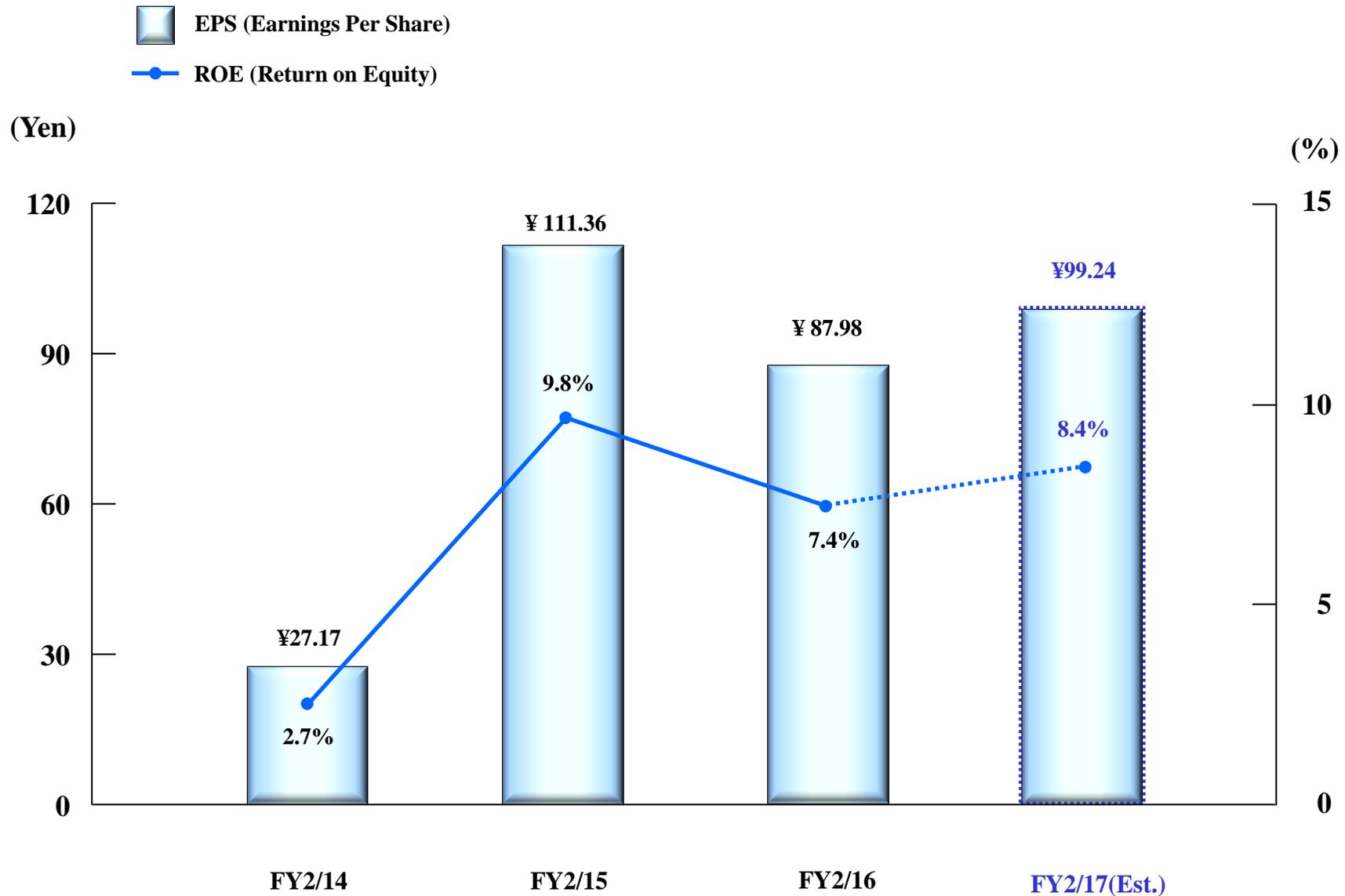


Cash Flows

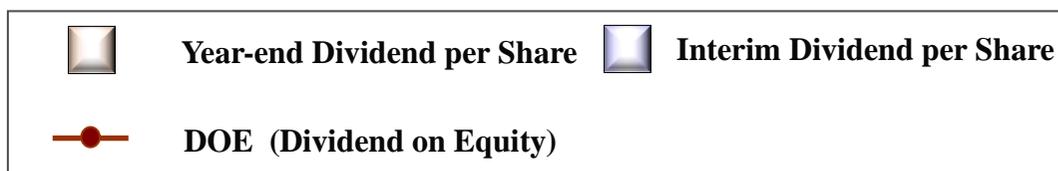
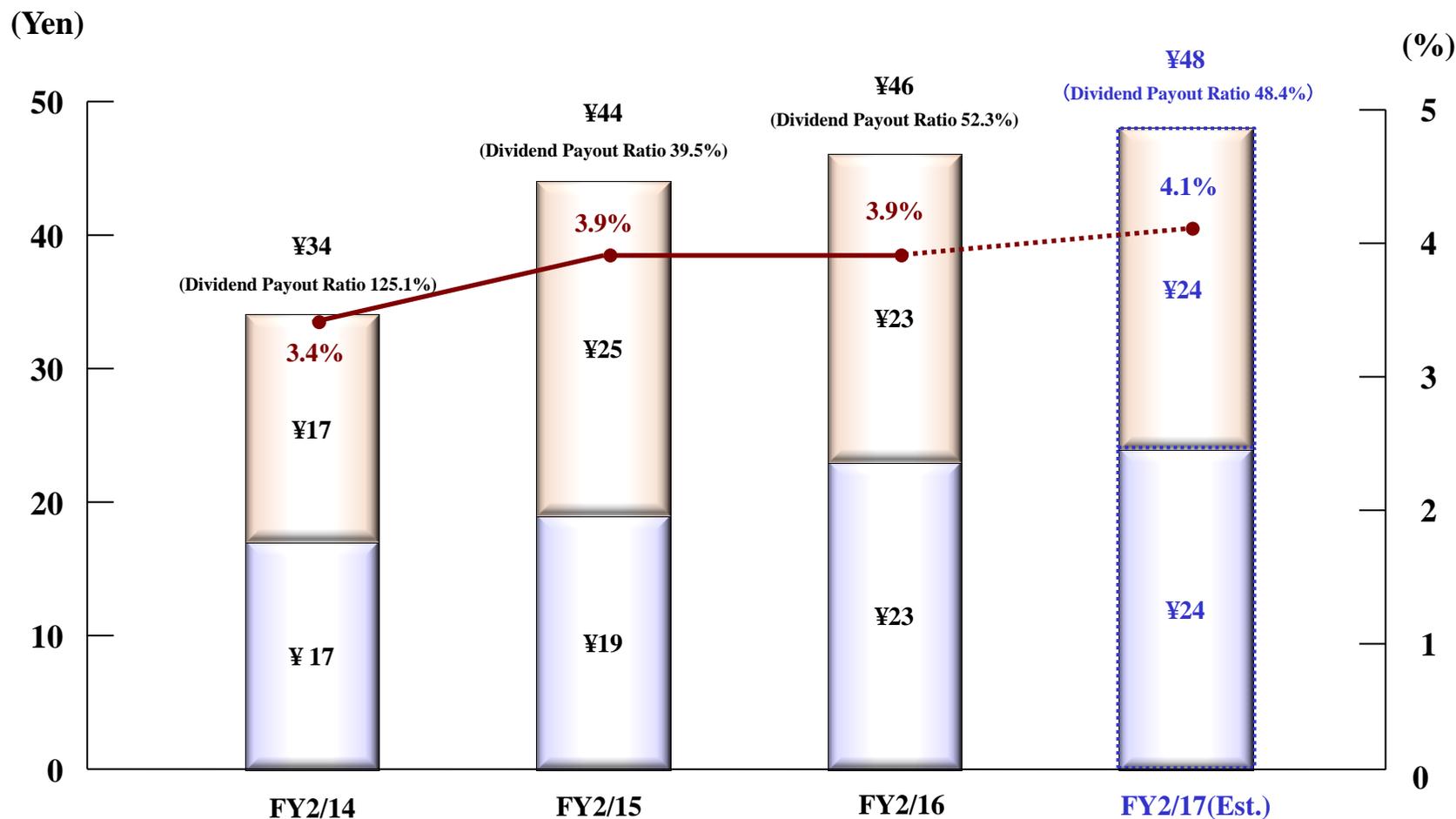
(Millions of Yen)



Key Financial Indicators



Shareholder Returns



We aim to ensure profitability and raise growth opportunities, and steadily make sustained returns to shareholders, by optimizing the allocation of business resources and by restructuring our businesses.



- Capture high shares in global niche markets
- Concentrate business resources on highly profitable products and markets
- Create high-value-added products



- Strengthen our sales organization in emerging markets
- Build an optimal production system by utilizing overseas production bases
- Implement business alliances and M&As to strengthen our core competencies



- Equity ratio : 70 - 75%
- Ratio of net cash (to total assets) : 20 - 25%
- Enhancement of shareholder returns
 - Dividend payout ratio : 40% or more
 - Dividend on equity : 4.5% or more

Medium-term Targets



- Net Sales ¥60.0 billion ■ ROE (Return on Equity) 11% or more
- Operating Income ¥8.0 billion ■ EPS (Earnings Per Share) ¥150 or more
- Net Income* ¥6.0 billion ■ Shareholder Returns Consolidated Dividend Payout Ratio 40% or more
DOE (Dividend on Equity) 4.5% or more

(Millions of Yen)

	FY2/16 Actual		FY2/17 Plan		FY2/19 Targets	
	Amount	Income Ratio	Amount	Income Ratio	Amount	Income Ratio
Sales						
Special Products	11,381		12,300		15,000	
Machine Tools	38,150		31,640		38,500	
Precision Products	4,926		4,800		5,500	
Cloud Services	—		60		1,000	
Total	54,457		48,800		60,000	
Operating Income	5,735	10.5%	4,500	9.2%	8,000	13.3%
Ordinary Income	5,206	9.6%	4,700	9.6%	8,000	13.3%
Net Income*	3,720	6.8%	4,200	8.6%	6,000	10.0%

*Profit attributable to owners of parent

ROE	7.4%	8.4%	11.0%
EPS	¥87.98	¥99.24	¥150.00
Cash Dividends Applicable to the Year	¥46	¥48	¥60
DOE	3.9%	4.1%	4.5%

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)
FY2/07	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	43,481	2,606	6.0	3,219	7.4	1,143	2.6	27.17	2.7	3.4	34.0
FY2/15	50,957	5,476	10.7	6,150	12.1	4,695	9.2	111.36	9.8	3.9	44.0
FY2/16	54,457	5,735	10.5	5,206	9.6	3,720	6.8	87.98	7.4	3.9	46.0
FY2/17(Est.)	48,800	4,500	9.2	4,700	9.6	4,200	8.6	99.24	8.4	4.1	48.0

※Profit attributable to owners of parent

Special Products



POS Printer
TSP100ECO

Mobile Printer
SM-S210i



Cash Drawer and Receipt Printer
mPOP



Machine Tools



CNC Swiss Type Automatic Lathe
SV-20R



CNC Swiss Type Automatic Lathe
SR-38 type B



CNC Swiss Type Automatic Lathe
SW-12RII

Precision Products

Wristwatch Components



Non-Wristwatch Components

(Automotive, Air Conditioning, HDD and Medical Components)



(Automotive Components)