

Financial Results for Fiscal 2017,
the Year Ended February 28, 2017
and Medium-Term Management Plan

STAR MICRONICS CO., LTD.

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

Code 7718

April 12, 2017

Financial Results for Fiscal 2017, the Year Ended February 28, 2017

■ Overview of Fiscal 2017	P2
■ Financial Data	P3
■ Sales by Segment	P4
■ Quarterly Information (Net Sales and Operating Income)	P5
■ Segment Overview	P6
■ Capital Investment / R&D Costs	P9
■ Balance Sheets	P10
■ Cash Flows	P11
■ Key Financial Indicators	P12
■ Returns to Shareholders	P13
■ Performance Indicators (10-Year Data)	P14

Year-on-year decrease in revenue and income

■ Net Sales	: ¥48.93 billion	10.1% down YoY
■ Operating Income	: ¥3.60 billion	37.1% down YoY
■ Ordinary Income	: ¥3.58 billion	31.2% down YoY
■ Net Income Attributable to Owners of Parent	: ¥3.18 billion	14.5% down YoY

✓ **In addition to the effect of the strong yen, year on year decrease in revenue and income also reflected the downturn in sales such as in Machine Tools.**

Financial Data



(Millions of Yen)

	FY2/16Actual			FY2/17Actual			FY2/18 Forecast							
	Full-Year			Full-Year			1st Half		2nd Half		Full-Year			
	Amount	Income Ratio (%)	2015/2016 Change (%)	Amount	Income Ratio (%)	2016/2017 Change (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	2017/2018 Change (%)	
Sales	Special Products	11,381		(1.5)	11,081		(2.6)	5,790		6,450		12,240		10.5
	Machine Tools	38,150		10.3	33,629		(11.9)	16,340		18,060		34,400		2.3
	Precision Products	4,926		2.1	4,226		(14.2)	2,070		2,430		4,500		6.5
	Cloud Services ^{※1}	-		-	-		-	-		60		60		-
	Total	54,457		6.9	48,937		(10.1)	24,200		27,000		51,200		4.6
Operating Income	Special Products	1,744	15.3	0.3	1,703	15.4	(2.4)	700	12.1	1,020	15.8	1,720	14.1	1.0
	Machine Tools	5,843	15.3	8.2	4,372	13.0	(25.2)	2,080	12.7	2,720	15.1	4,800	14.0	9.8
	Precision Products	593	12.0	(14.3)	284	6.7	(52.0)	160	7.7	310	12.8	470	10.4	65.0
	Cloud Services ^{※1}	(202)	-	-	(357)	-	-	(130)	-	30	50.0	(100)	-	-
	Eliminations or Corporate	(2,243)			(2,396)			(1,130)		(1,160)		(2,290)		
	Total	5,735	10.5	4.7	3,606	7.4	(37.1)	1,680	6.9	2,920	10.8	4,600	9.0	27.5
Ordinary Income		5,206	9.6	(15.4)	3,583	7.3	(31.2)	1,780	7.4	3,020	11.2	4,800	9.4	33.9
Net Income Attributable to Owners of Parent		3,720	6.8	(20.8)	3,181	6.5	(14.5)	1,300	5.4	2,400	8.9	3,700	7.2	16.3

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

ROE (%) ^{※2}	7.4	6.9	8.5
Cash Dividends Applicable to the Year	¥46	¥48	¥50
DOE (%) ^{※3}	3.9	4.1	4.3

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

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

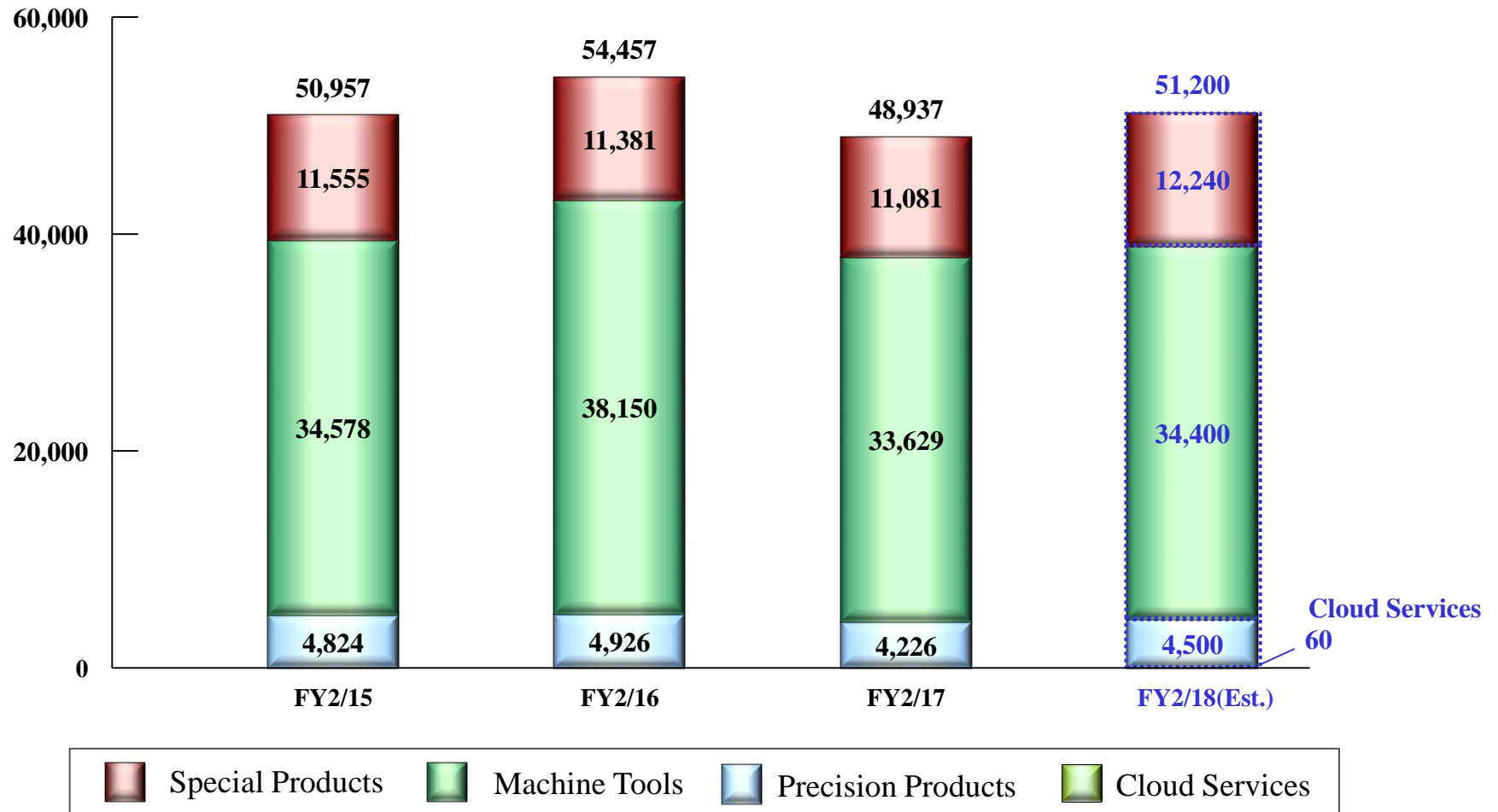
Exchange Rate				Full-Year Assumption	Foreign Exchange Sensitivity ^{※4}
		US\$	EUR	CHF	
	US\$	¥121.05	¥108.87	¥110.00	¥31 million
	EUR	¥134.32	¥120.36	¥115.00	¥47 million
	GBP	¥185.12	¥147.79	¥135.00	¥7 million
	CHF	¥125.97	¥110.41	¥110.00	¥22 million

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

Sales by Segment



(Millions of Yen)



Quarterly Information (Net Sales and Operating Income)



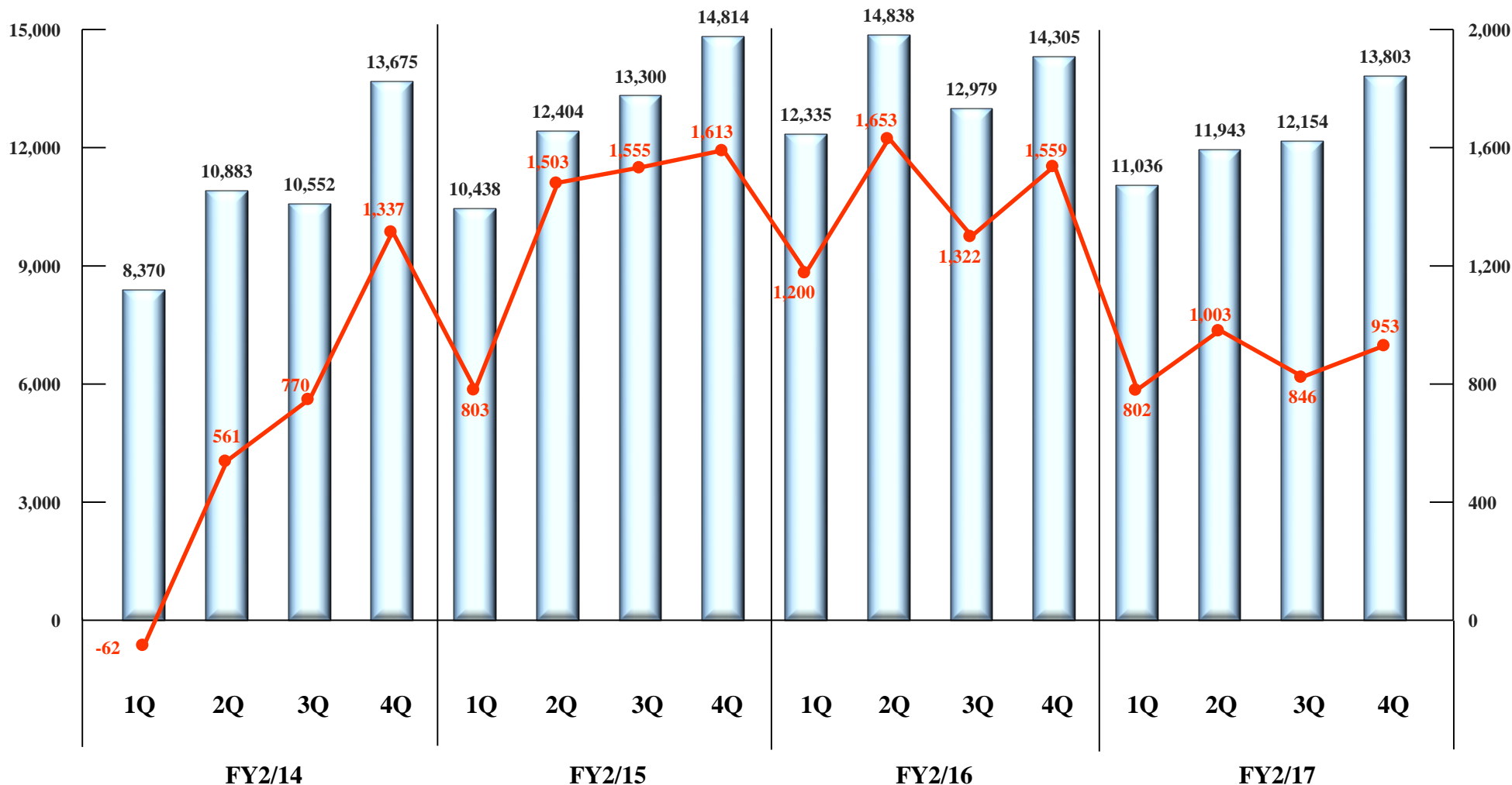
Net Sales

(Millions of Yen)

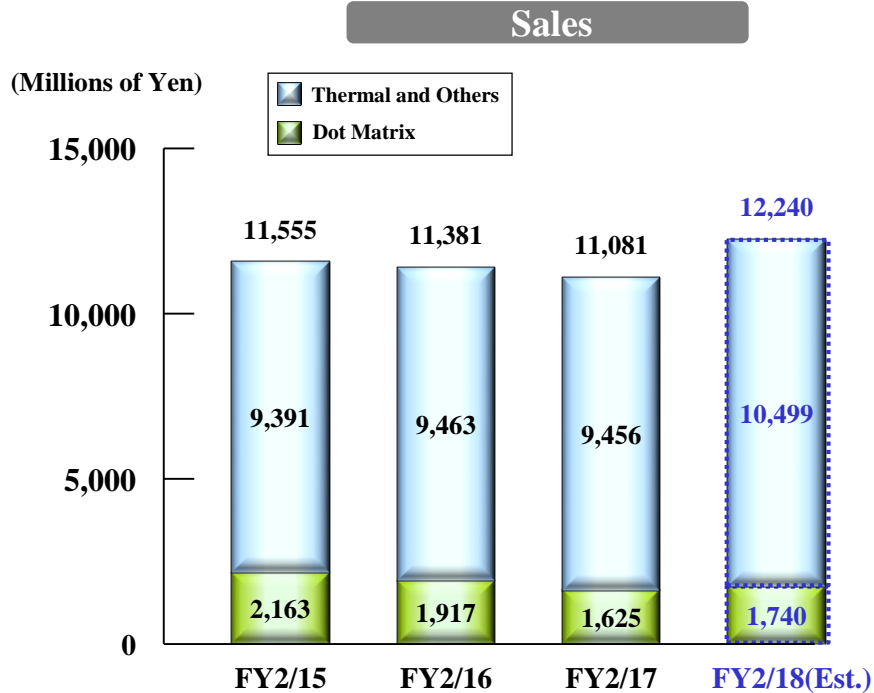
Net Sales Operating Income

Operating Income

(Millions of Yen)



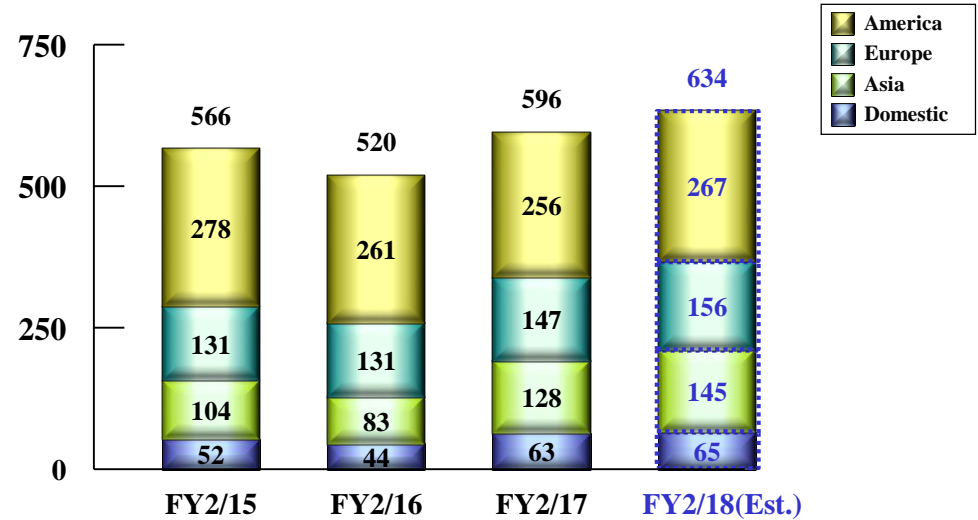
Special Products



- Sales in the U.S., Europe and Asia declined due to the effect of the strong yen.
- Sales in Japan increased substantially on the back of robust mPOS-related sales.

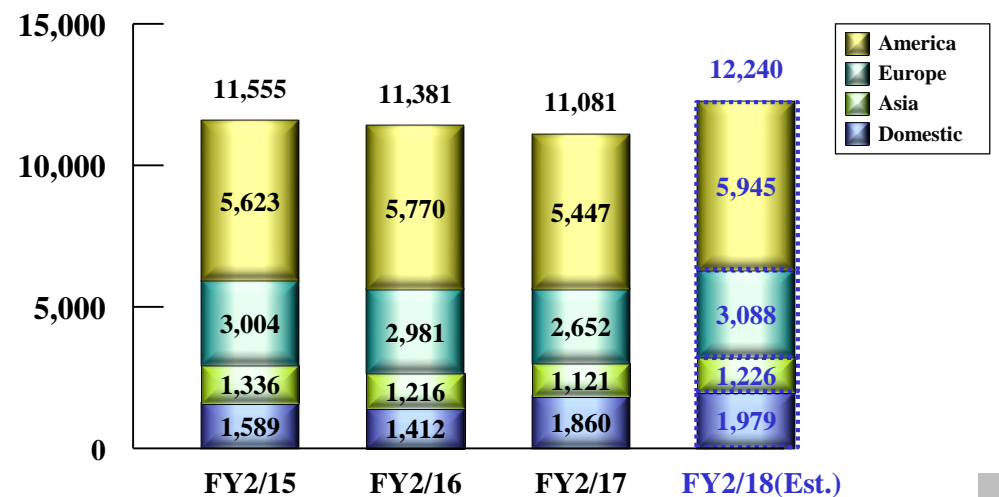
Sales Volume by Region

(Thousand Units)



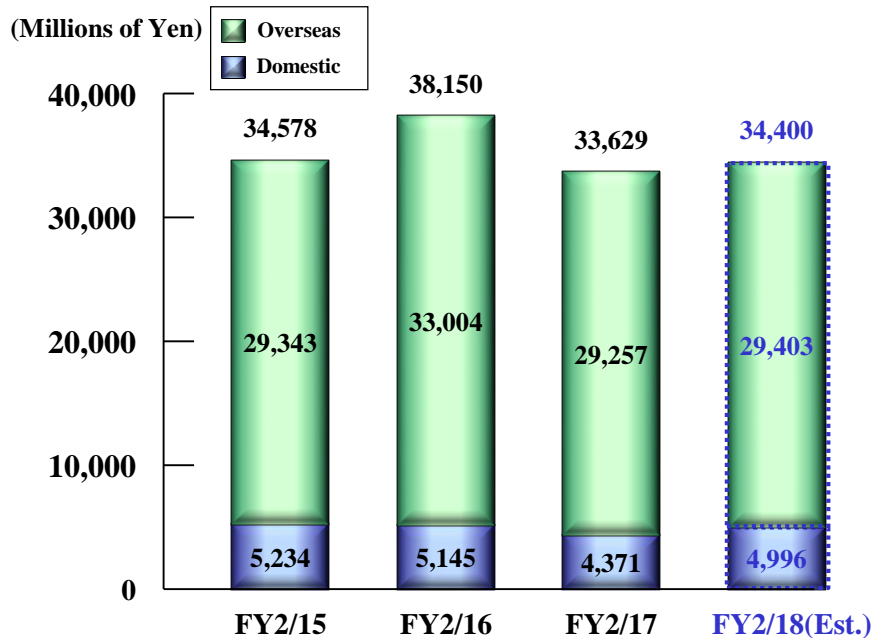
Sales by Region

(Millions of Yen)

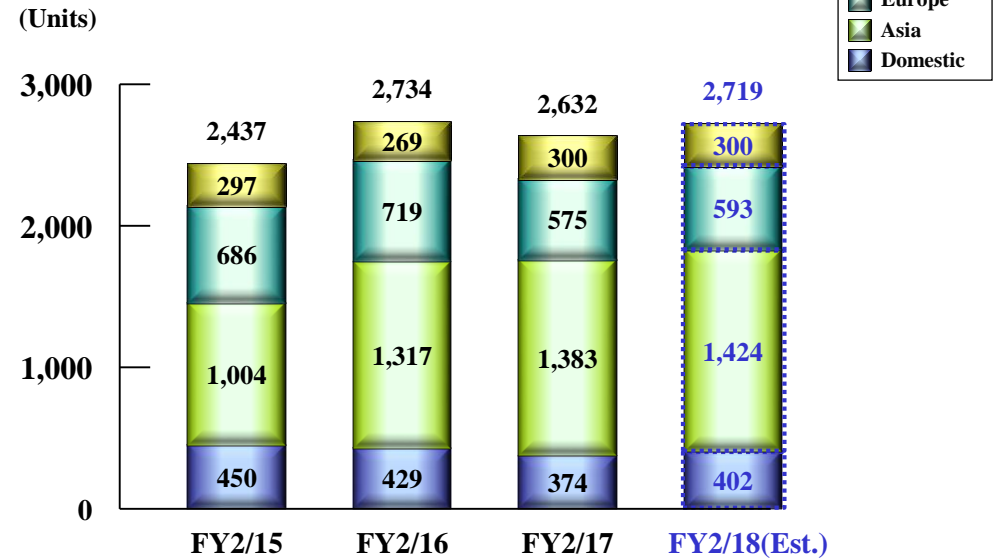




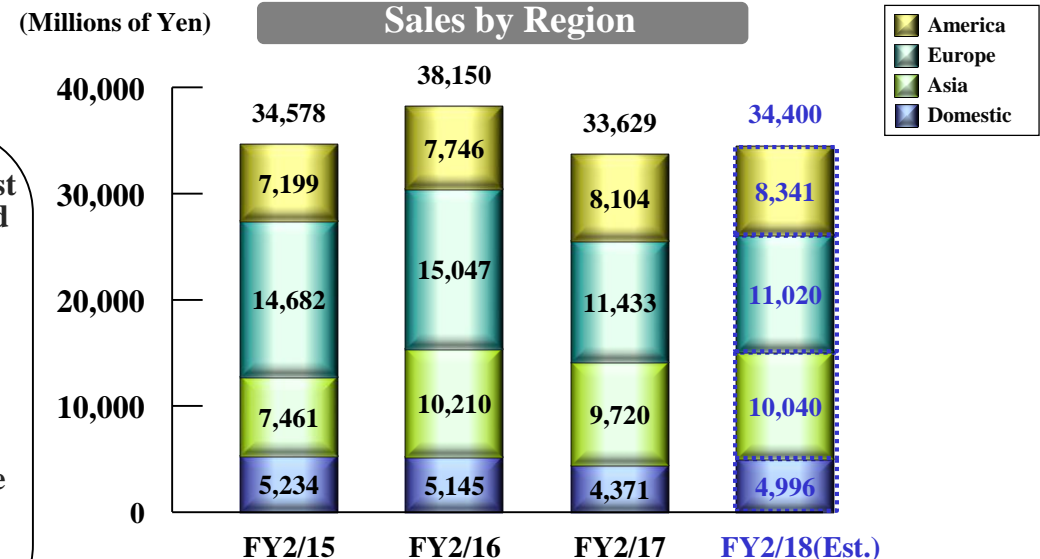
Sales



Sales Volume by Region



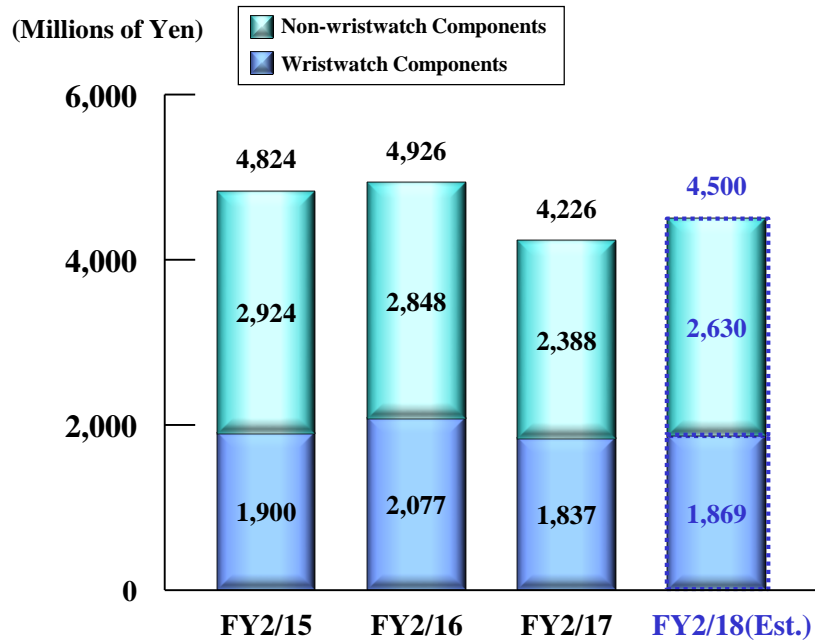
Sales by Region



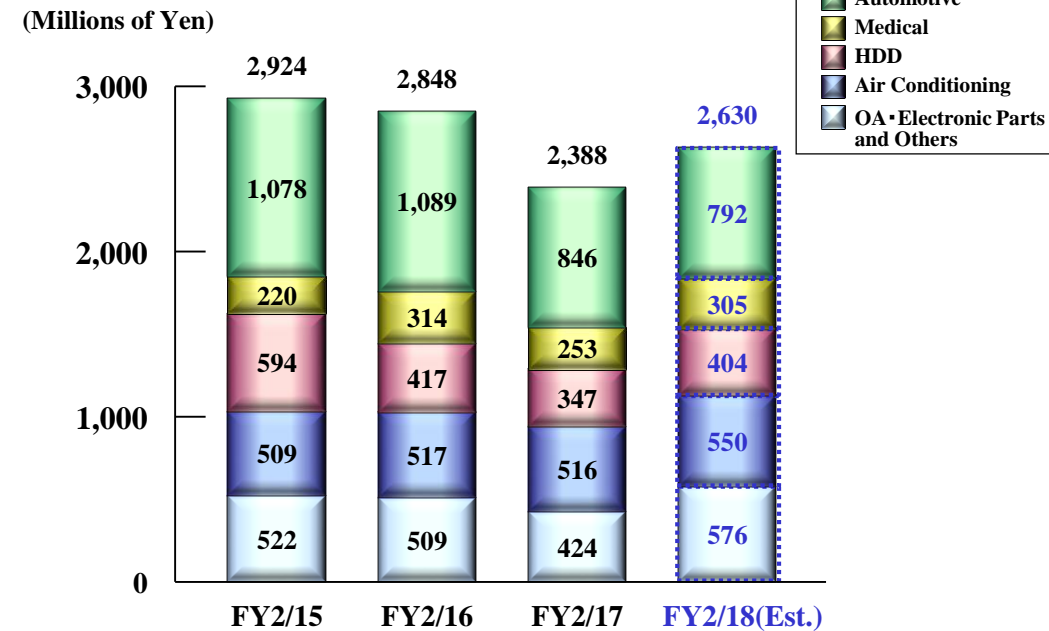
- Sales in the U.S. increased on the back of effect of the strong yen. Against this backdrop, trends mainly in the mainstay medical equipment-related sector were steady over the latter half of the fiscal year.
- Sales in Europe declined substantially in the period under review. This was largely due to the effect of the strong yen and sluggish sales in such emerging markets as Eastern Europe as well as in major countries including Germany.
- Sales in the Asian market declined. Despite steady trends in China, this decline was mainly due to the downturn in sales in other regions and the effect of the strong yen.
- Sales in Japan declined. This largely reflected the cautious approach adopted by the market toward capital expenditures.



Sales



Sales of Non-wristwatch Components

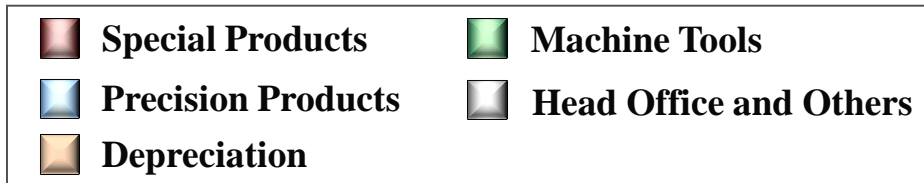


- Sales of wristwatch components declined. This was mainly due to the impact of production adjustments by wristwatch manufacturers.
- Sales of non-wristwatch components also declined. This largely reflected the downturn in automotive components and others as well as the effect of the strong yen.

Capital Investment / R&D Costs



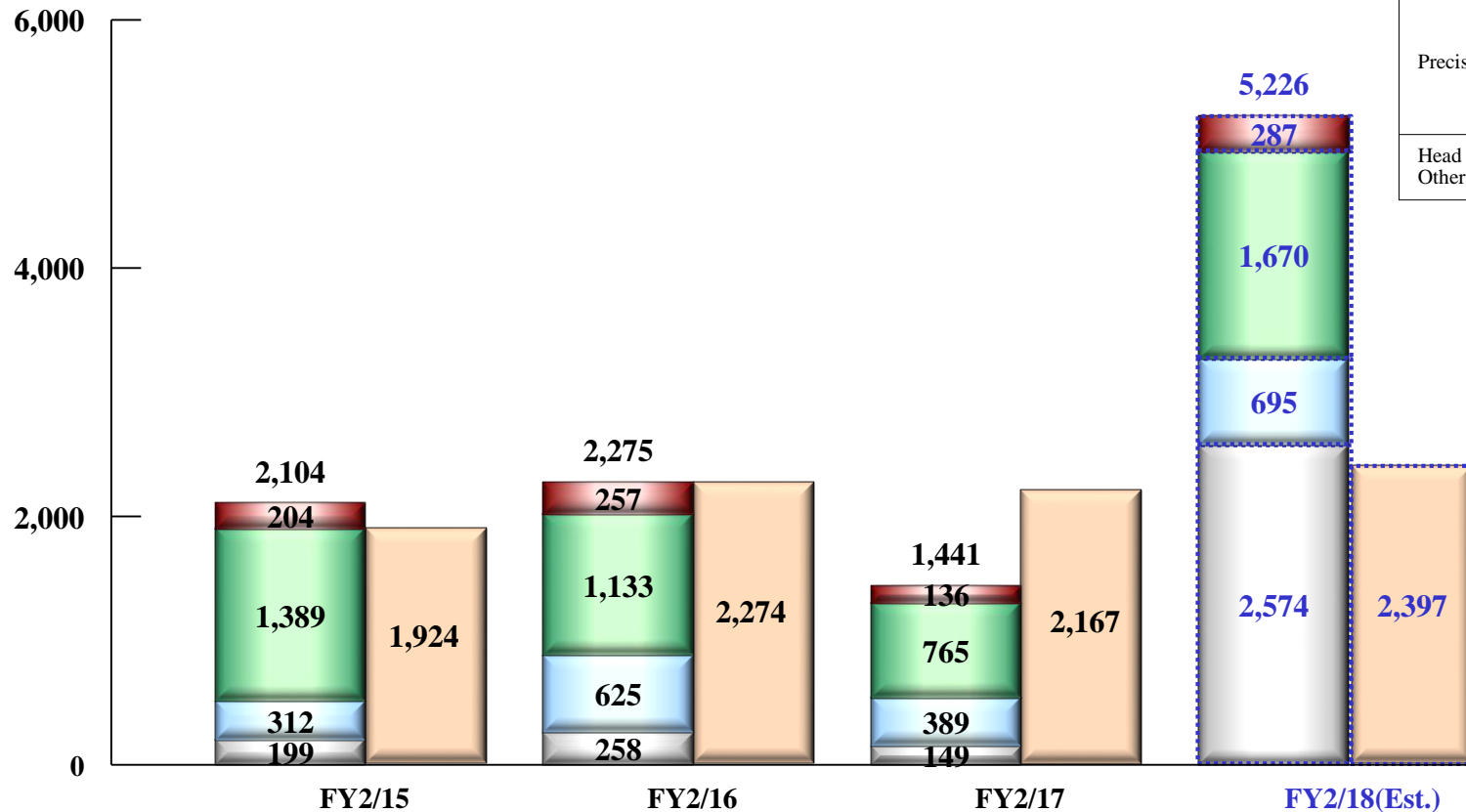
Capital Investment



【Main Capital Investment Plans】

	Breakdown
Special Products	Dies for new models, etc.
Machine Tools	Replacement and maintenance, expenditure on equipment and facilities, jigs and tools for new models, etc.
Precision Products	Equipment and facilities for new process, expenditure on equipment and facilities to streamline operations and to save in labor, etc.
Head Office and Others	Related to new head office building and systems, etc.

(Millions of Yen)



R&D Costs

(Millions of Yen)

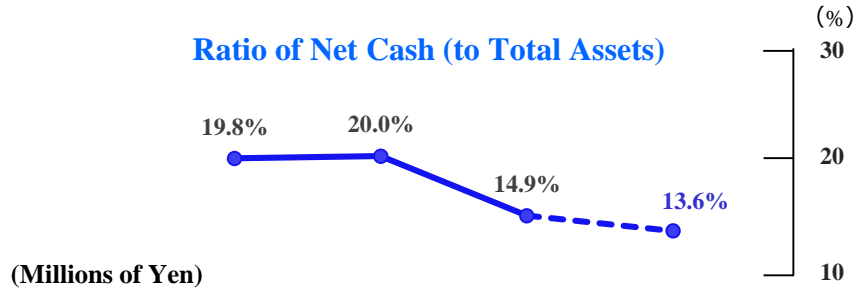
	FY2015	FY2016	FY2017	FY2018 (Est.)
R&D costs	1,947	2,005	2,032	1,836

Balance Sheets



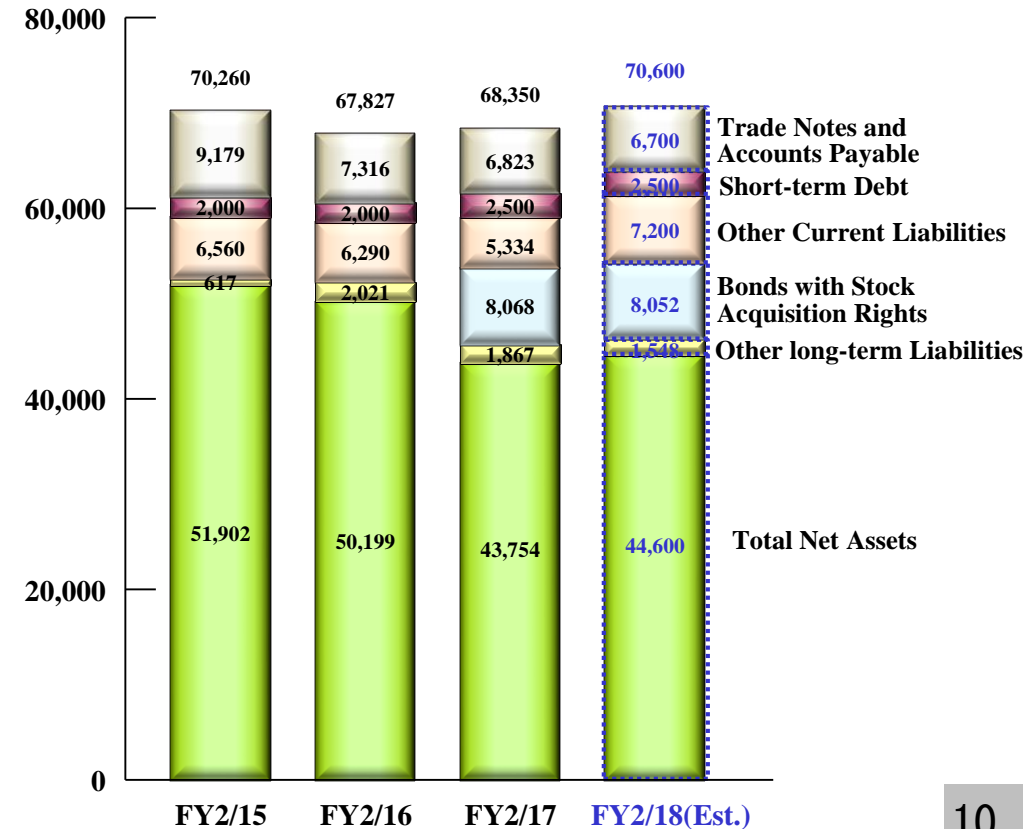
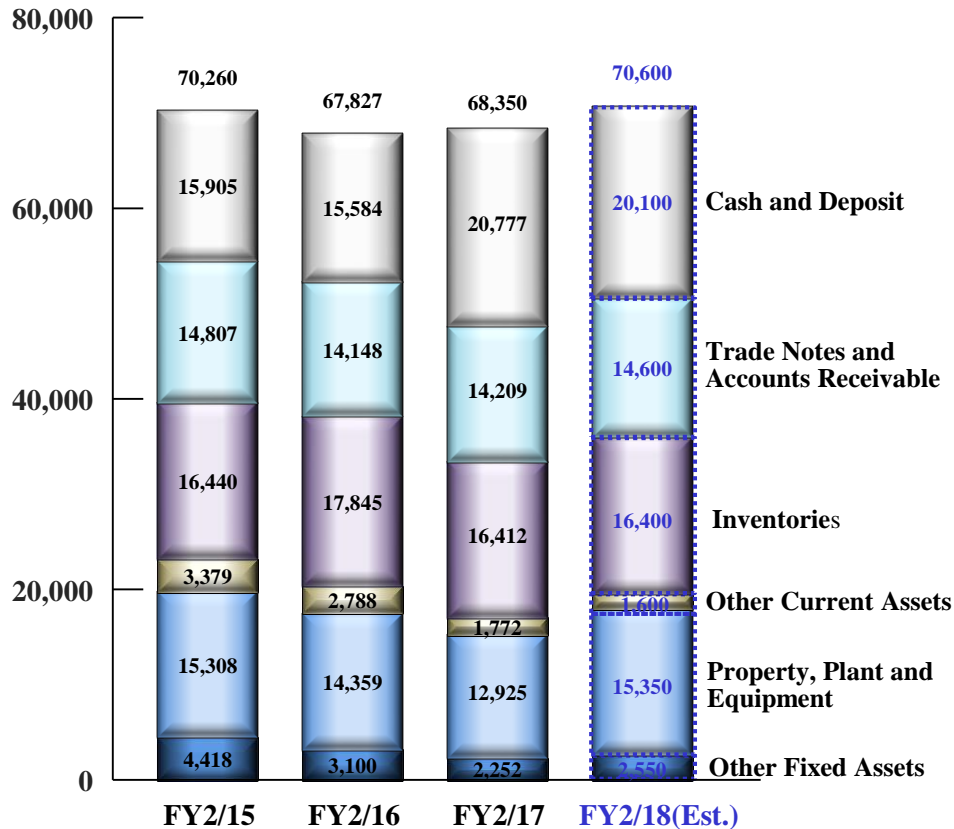
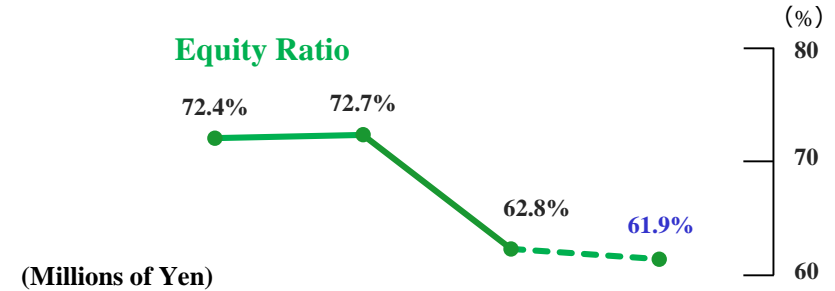
Assets

Ratio of Net Cash (to Total Assets)

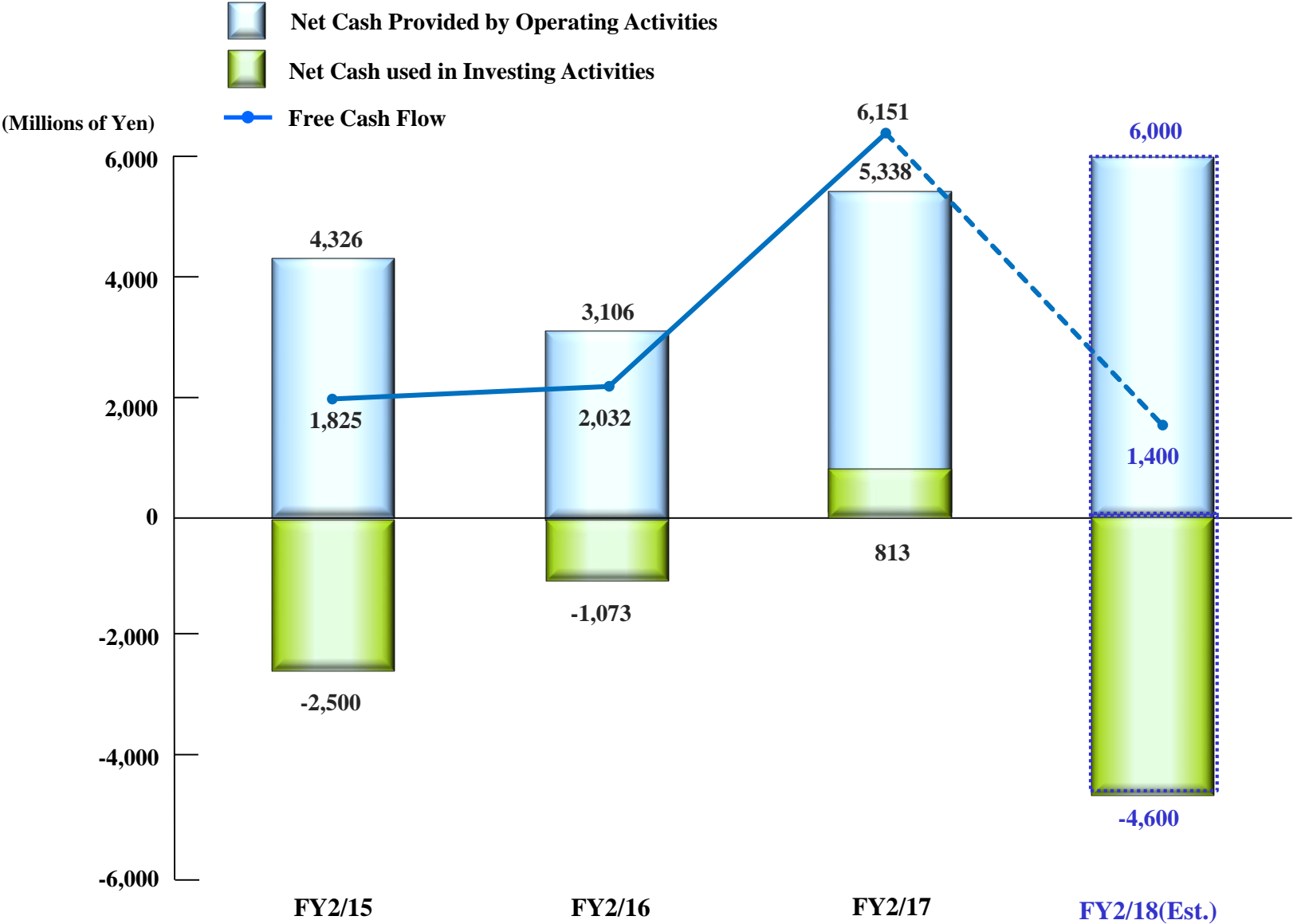


Liabilities/Net assets

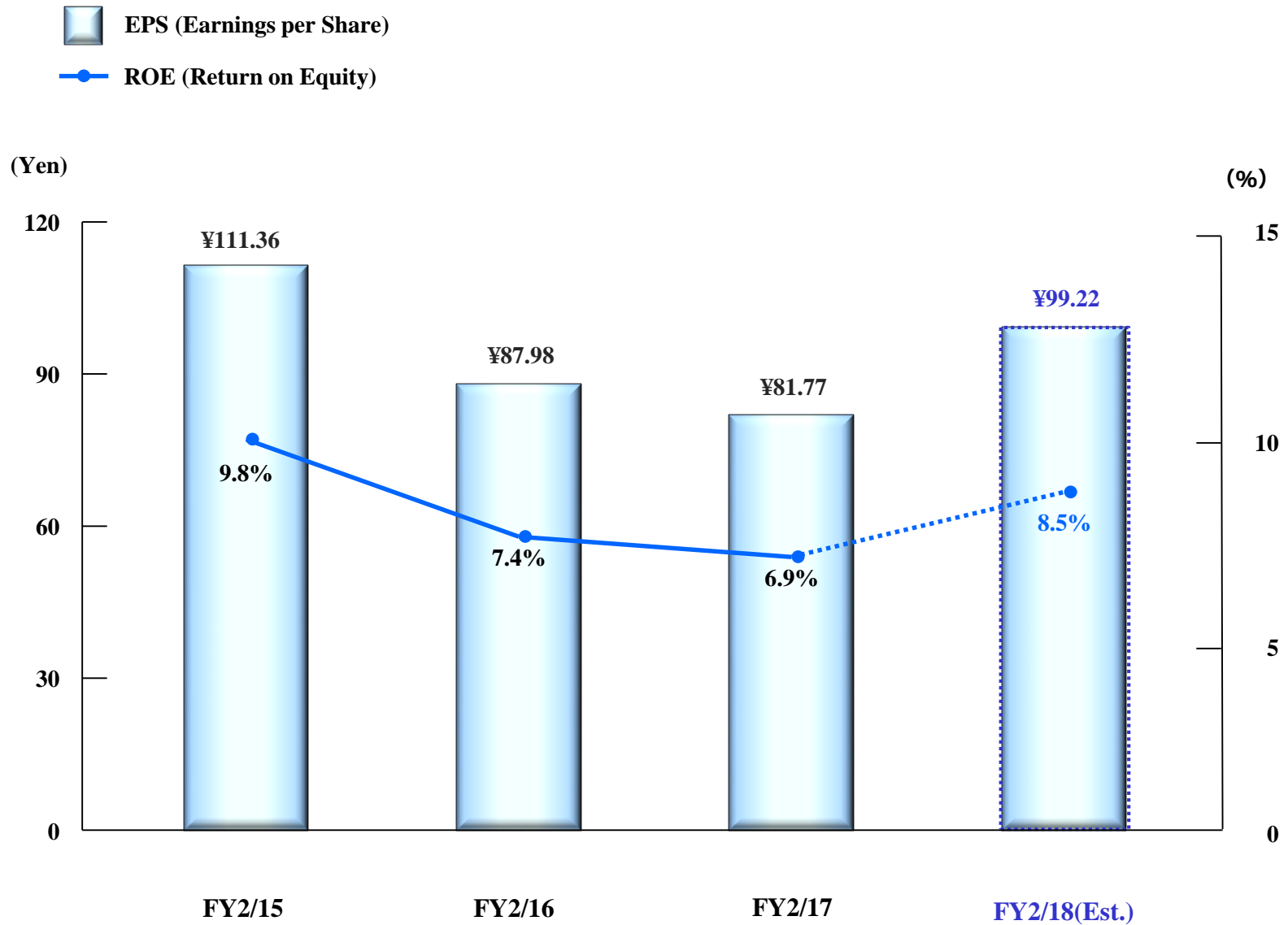
Equity Ratio



Cash Flows



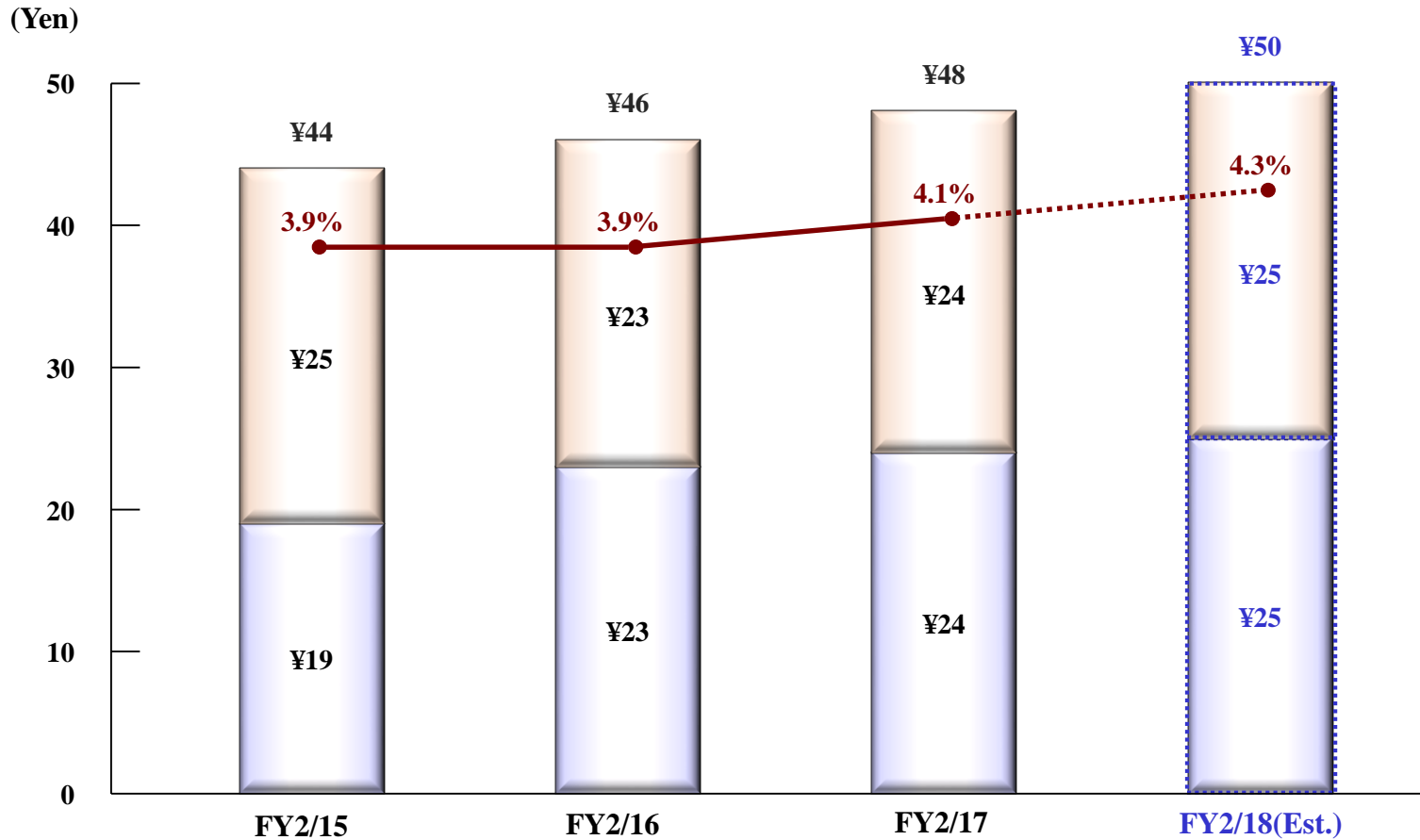
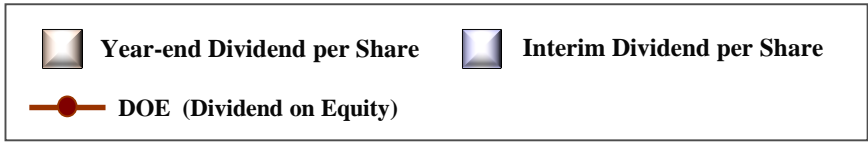
Key Financial Indicators



Returns to Shareholders



- Total Payout Ratio : 50% or more
- Target DOE : 4.5% or more



Total Payout Ratio	(39.5%)	(52.3%)	(257.3%)	50.0% or more
Dividend Payout Ratio	39.5%	52.3%	58.7%	-

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 Attributable to Owners of Parent (Millions of Yen)	Income Ratio(%)	EPS (Yen)	ROE (%)	DOE (%)	Dividends per Share (Yen)
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	48,937	3,606	7.4	3,583	7.3	3,181	6.5	81.77	6.9	4.1	48.0
FY2/18(Est.)	51,200	4,600	9.0	4,800	9.4	3,700	7.2	99.22	8.5	4.3	50.0

Medium-Term Management Plan

■ Medium-Term Management Policy	P16
■ Performance Target	P18
■ Strategies and Goals by Business	P19
■ Financial Target	P23
■ Returns to Shareholders	P24

Medium-Term Vision

As a global niche company, our goal is to enhance the prosperity and well-being of all stakeholders by distributing the added-value created through efforts aimed at combining the strengths of advanced software and precision processing technologies that help maximize customer satisfaction.

Basic Policies

1. Reform existing businesses

- Pursue precision processing technologies that are vital to an IoT society
- Transition to a business entity that incorporates software technology
- Work toward a production system that maximizes added-value

2. Create and nurture new businesses

- Create a fourth major business pillar (through various initiatives including M&A and business alliances)
- Cultivate new businesses and products (Vibration Power Generators, Cloud Service Business, etc.)

3. Evolve into a genuine global company

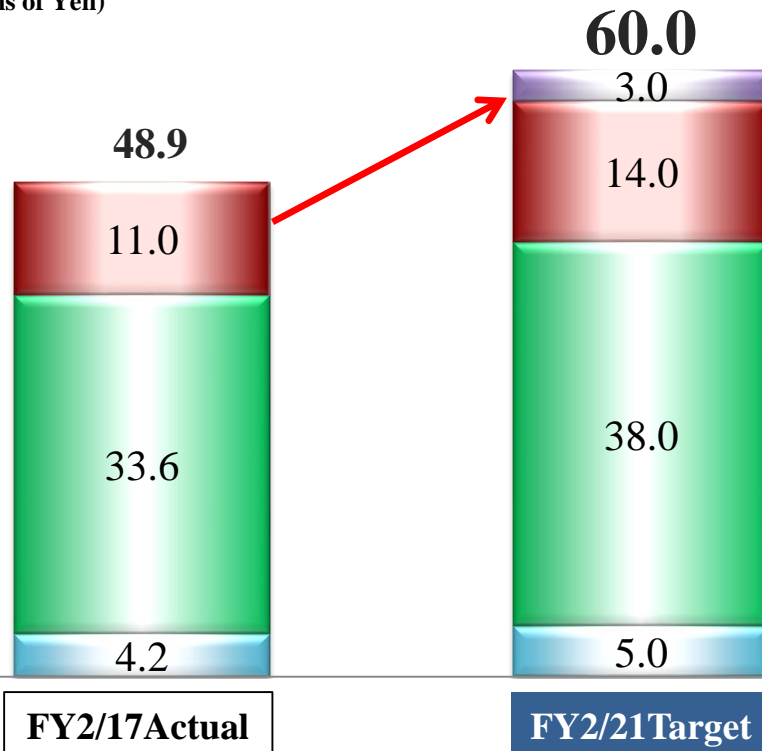
- Educate, train and assign global human resources
- Further strengthening of sales channels

Secure growth by expanding existing businesses and creating new businesses

Net Sales

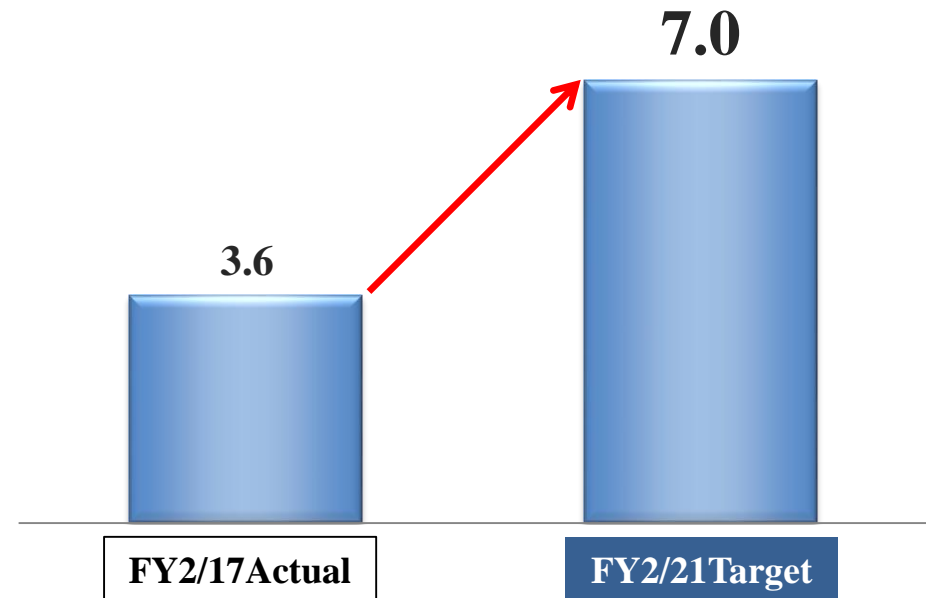
■ Special Products
 ■ Machine Tools
 ■ Precision Products
 ■ New Businesses

(Billions of Yen)



Operating Income

(Billions of Yen)



		FY2/17 Actual	FY2/21 Plan
Exchange Rate	US \$	¥108.87	¥110.00
	EUR	¥120.36	¥115.00

Strategies (Principal Initiatives)

- Develop high-value-added products
- Reorganize sales bases in Europe in light of the U.K.'s impending withdrawal from the European Union
- Reduce costs by increasing supply chain efficiency



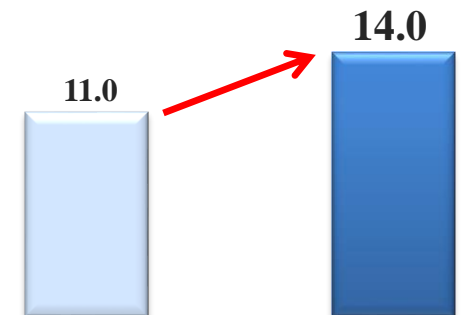
Financial Target

Net Sales

FY2/17Actual

FY2/21Target

(Billions of Yen)

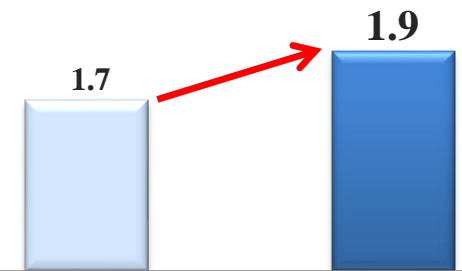


Operating Income

FY2/17Actual

FY2/21Target

(Billions of Yen)



Strategies (Principal Initiatives)

- Release a series of fixed headstock automatic lathes
- Develop IoT-related software
- Shorten lead times and reduce inventories through modular design and production
- Strengthen service systems in China



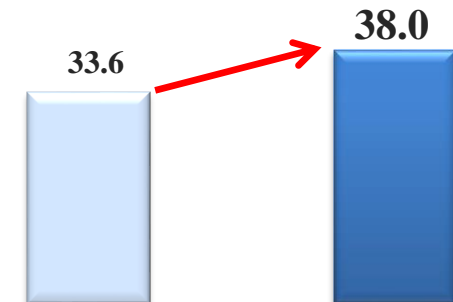
Financial Target

Net Sales

FY2/17Actual

FY2/21Target

(Billions of Yen)

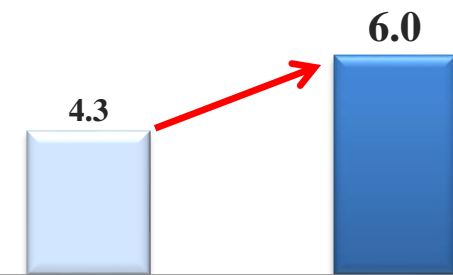


Operating Income

FY2/17Actual

FY2/21Target

(Billions of Yen)



Strategies (Principal Initiatives)

- Cultivate new customers and markets
- Streamline production and promote automation
- Increase operating rates utilizing IoT



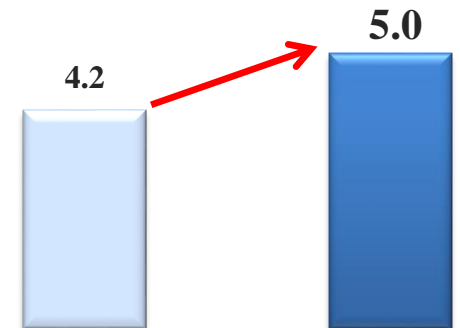
Financial Target

Net Sales

FY2/17Actual

FY2/21Target

(Billions of Yen)

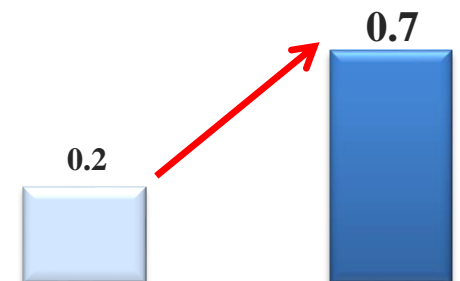


Operating Income

FY2/17Actual

FY2/21Target

(Billions of Yen)



Financial Target FY2/21

Net Sales

¥3.0 billion

Operating Income

¥0.3 billion

Strategies (Principal Initiatives)

- M&A and business alliances, etc

- Vibration Power Generators
 - Industrial sensor unit and various beacons

- Cloud Services
 - Promote monetization solutions using coupon services

	FY2/17 Actual	FY2/21 Target
Net Sales	¥48.9 billion	¥60.0 billion
Operating Income	¥3.6 billion	¥7.0 billion
Operating Income Ratio	7.4%	11.7%
ROE	6.9%	12.0% or more

Target a total payout ratio of 50.0% or more including the repurchases of own shares as well as DOE of more than 4.5%

	FY2/17 Actual	FY2/21 Target
Total Payout Ratio	(257.3%)	50.0% or more
DOE	4.1%	4.5% or more
Dividends per Share	¥48	¥60



* 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.