

Financial Results for the FY12/2018 Second Quarter

STAR MICRONICS CO., LTD.

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

Code 7718

October 11, 2018

* 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.

Financial Results for the FY12/2018 Second Quarter

| | |
|--|-------------|
| ■ Second Quarter of the FY12/2018 | P 2 |
| ■ Consolidated Results for the FY12/2018 Second Quarter | P 3 |
| ■ Segment Overview | |
| ▪ Special Products | P 4 |
| ▪ Machine Tools | P 5 |
| ▪ Precision Products | P 6 |
| ■ Capital Investment / R&D Costs | P 7 |
| ■ Balance Sheets | P 8 |
| ■ Cash Flows | P 9 |
| ■ Key Financial Indicators | P 10 |
| ■ Returns to Shareholders | P 11 |

Reference

| | |
|--|-------------|
| ■ Trends in Quarterly Machine Tool Orders | P 13 |
| ■ Performance Indicators (10-Year Data) | P 14 |
| ■ Business Segments and Products | P 15 |

Second Quarter of the FY12/2018



Star Micronics has amended its account settlement date from the end of February to December 31 each year. This aligns the Company's accounting period with those of overseas consolidated subsidiaries. Fiscal Year Ending December 31, 2018 period is a transitional period that covers ten months from March 1, 2018 to December 31, 2018.

FY12/2018

[Domestic] : 10 months [Overseas] : 12 months

The fiscal period ending December 31, 2018 is as follows.

- Star Micronics and Domestic Consolidated Subsidiaries : 10 months (From March 1, 2018 to December 31, 2018)
- Overseas Consolidated Subsidiaries : 12 months (From January 1, 2018 to December 31, 2018)

The fiscal period ending August 31, 2018 is as follows.

- Star Micronics and Domestic Consolidated Subsidiaries : 6 months (From March 1, 2018 to August 31, 2018)
- Overseas Consolidated Subsidiaries : 8 months (From January 1, 2018 to August 31, 2018)

| | FY12/2018 | | | | | | | | | | | |
|---|-----------|------|---------------|------|-----|----------------|------|----------------|---------------|------|---------------|------|
| | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. |
| Star Micronics and Domestic Consolidated Subsidiaries (10 months) | | | First quarter | | | Second quarter | | | Third quarter | | | |
| Overseas Consolidated Subsidiaries (12 months) | | | First quarter | | | | | Second quarter | | | Third quarter | |

Consolidated Results for the FY12/2018 Second Quarter



(Millions of Yen)

| | | FY12/2018 Second Quarter | | | | | FY12/2018 Full-Year | | | | |
|---|---------------------------|--|------------------|---------|------------------|--------------------|--|------------------|--|------------------|--------------------|
| | | Previous Forecasts (Announced on July 11) | | Actual※ | | | Previous Forecasts (Announced on July 11) | | Revised Forecasts (Announced on October 11) | | |
| | | Amount | Income Ratio (%) | Amount | Income Ratio (%) | Rate of change (%) | Amount | Income Ratio (%) | Amount | Income Ratio (%) | Rate of change (%) |
| Net Sales | Special Products | 7,650 | | 7,901 | | +3.3 | 11,960 | | 12,350 | | +3.3 |
| | Machine Tools | 28,810 | | 30,272 | | +5.1 | 43,380 | | 44,900 | | +3.5 |
| | Precision Products | 2,640 | | 2,702 | | +2.4 | 3,960 | | 3,950 | | (0.3) |
| | Total | 39,100 | | 40,876 | | +4.5 | 59,300 | | 61,200 | | +3.2 |
| Operating Income | Special Products | 1,260 | 16.5 | 1,325 | 16.8 | +5.2 | 1,690 | 14.1 | 1,920 | 15.5 | +13.6 |
| | Machine Tools | 5,430 | 18.8 | 5,884 | 19.4 | +8.4 | 7,900 | 18.2 | 8,030 | 17.9 | +1.6 |
| | Precision Products | 240 | 9.1 | 271 | 10.1 | +13.2 | 360 | 9.1 | 360 | 9.1 | - |
| | Eliminations or Corporate | (1,230) | | (1,294) | | | (1,950) | | (2,110) | | |
| | Total | 5,700 | 14.6 | 6,186 | 15.1 | +8.5 | 8,000 | 13.5 | 8,200 | 13.4 | +2.5 |
| Ordinary Income | | 5,800 | 14.8 | 6,149 | 15.0 | +6.0 | 8,100 | 13.7 | 8,300 | 13.6 | +2.5 |
| Net Income Attributable to Owners of Parent | | 4,500 | 11.5 | 4,780 | 11.7 | +6.2 | 6,000 | 10.1 | 6,000 | 9.8 | - |

| | | | | |
|---------------------------------------|-----|-----|-----|------|
| ROE (%)※ ¹ | - | - | - | 12.7 |
| Cash Dividends Applicable to the Year | ¥27 | ¥27 | ¥54 | ¥54 |
| DOE (%)※ ² | - | - | - | 4.2 |

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

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

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

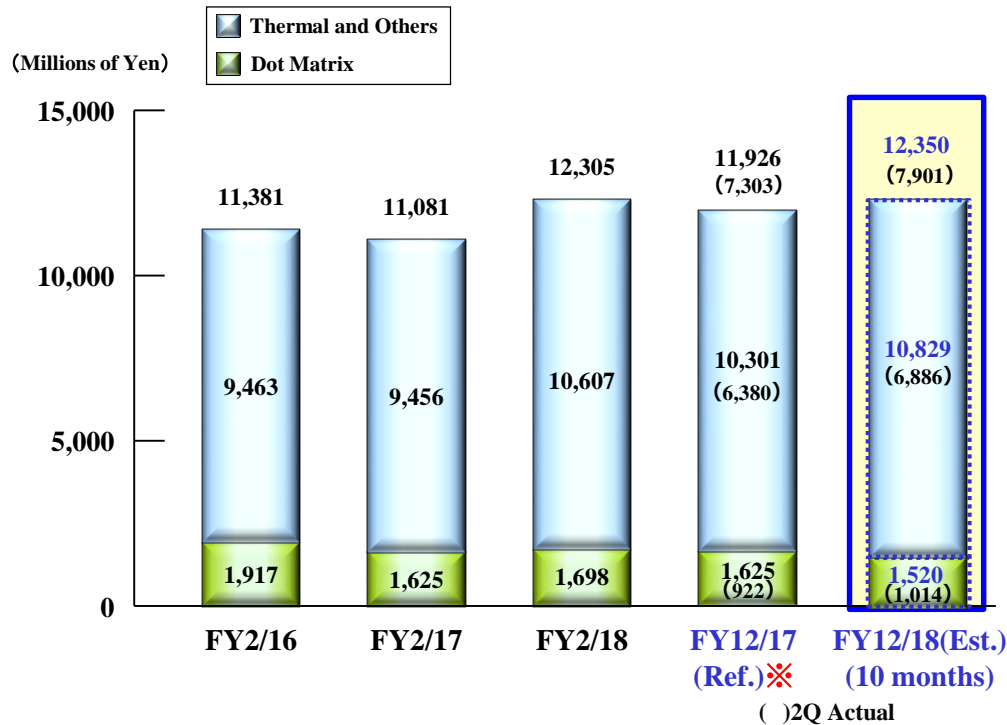
| | | | | | Second half Assumed Exchange Rate | Full-Year Assumed Exchange Rate | Foreign Exchange Sensitivity※ ³ |
|---------------|------|---|---------|---|-----------------------------------|---------------------------------|--|
| Exchange Rate | US\$ | - | ¥109.33 | - | ¥105.00 | ¥107.89 | ¥4 million |
| | EUR | - | ¥131.04 | - | ¥125.00 | ¥129.03 | ¥20 million |
| | GBP | - | ¥148.51 | - | ¥145.00 | ¥147.34 | ¥2 million |
| | CHF | - | ¥112.48 | - | ¥110.00 | ¥111.65 | ¥9 million |

※The second quarter of FY12/2018 is a six-month period for the Company and its consolidated domestic subsidiaries and an eight-month period for its consolidated overseas subsidiaries.

Special Products



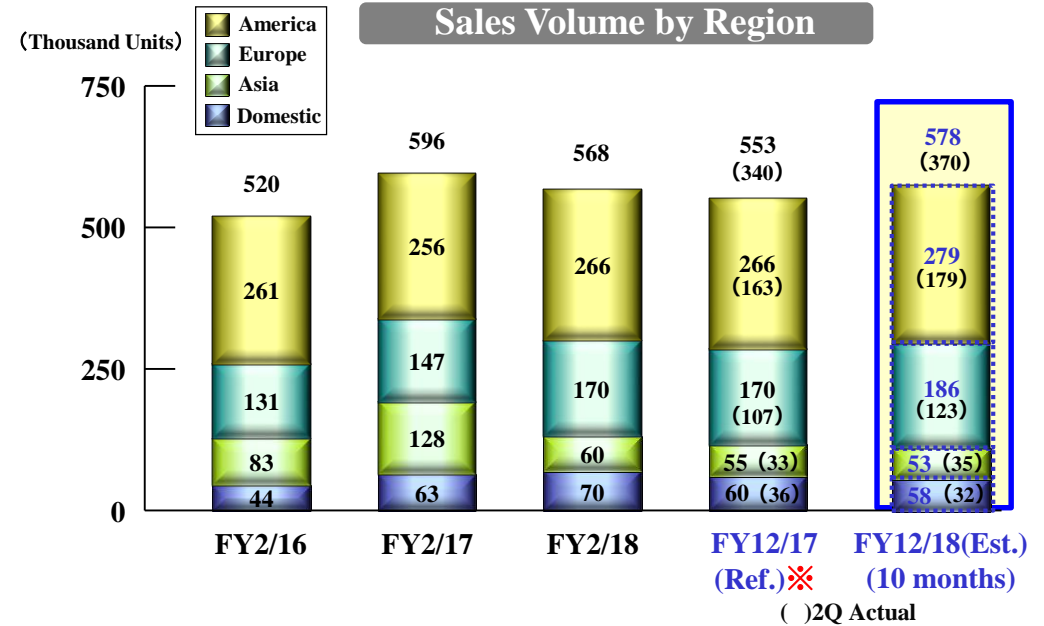
Sales



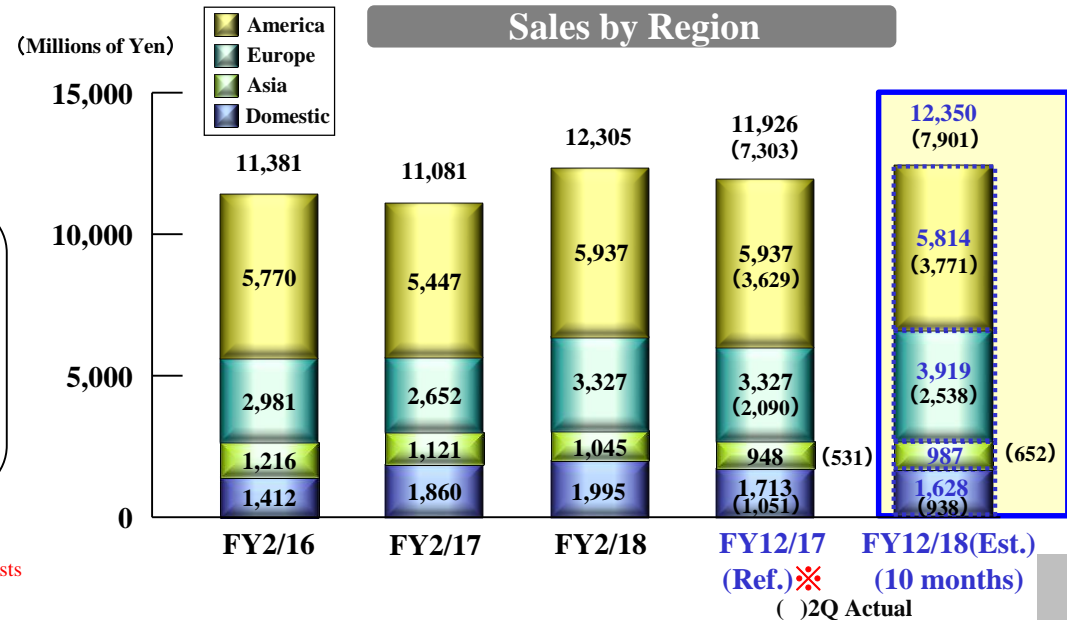
- Sales were solid in the U.S. market.
- Sales were strong in the European market, against the backdrop of a recovery in market conditions.
- Sales in the Asian market, demand in China dropped for certain products that include thermal finished products but was solid in other areas.
- The overall Japanese market remained solid, but large project demand was weak.

※ Proforma FY12/17 business results are provided for reference purposes only. Data has been restated from actual business results for the previous fiscal year for comparative purposes with the current 2Q and forecasts with the full fiscal year under the same conditions.

Sales Volume by Region

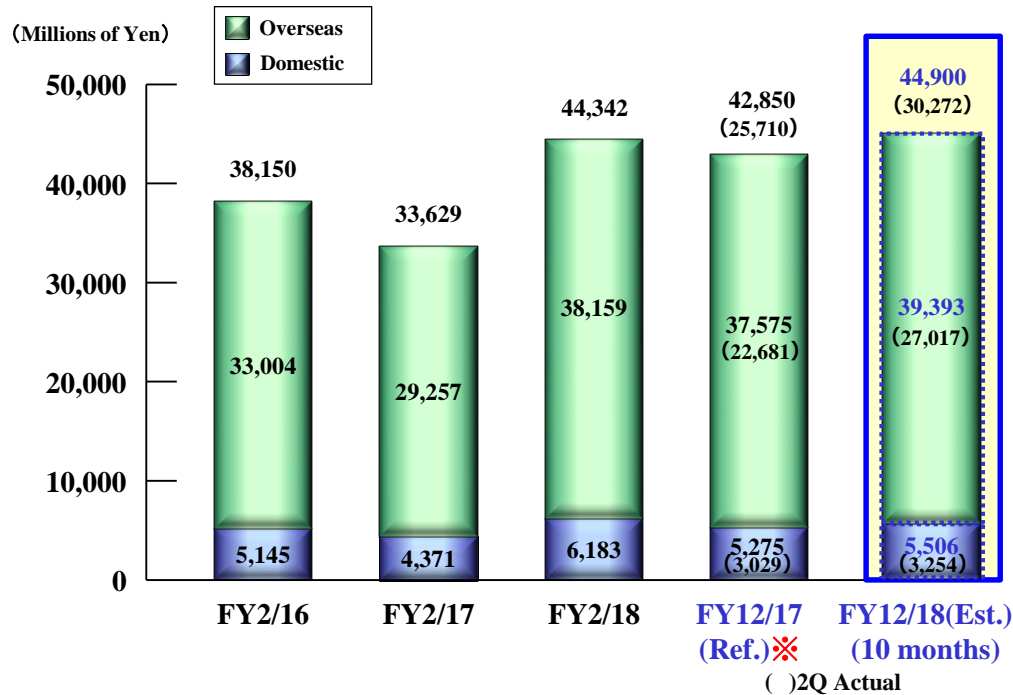


Sales by Region

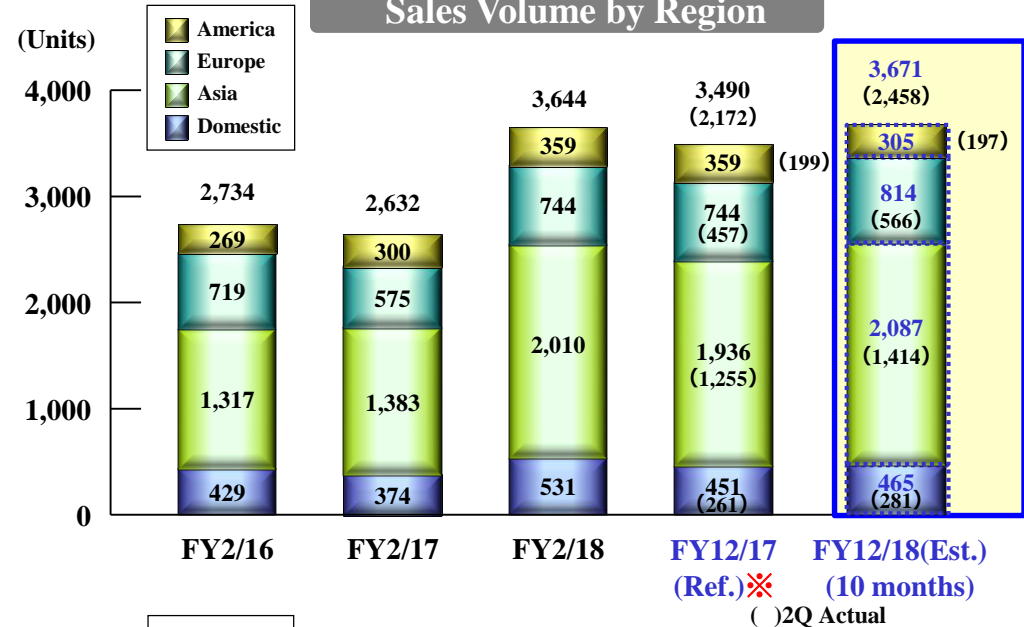




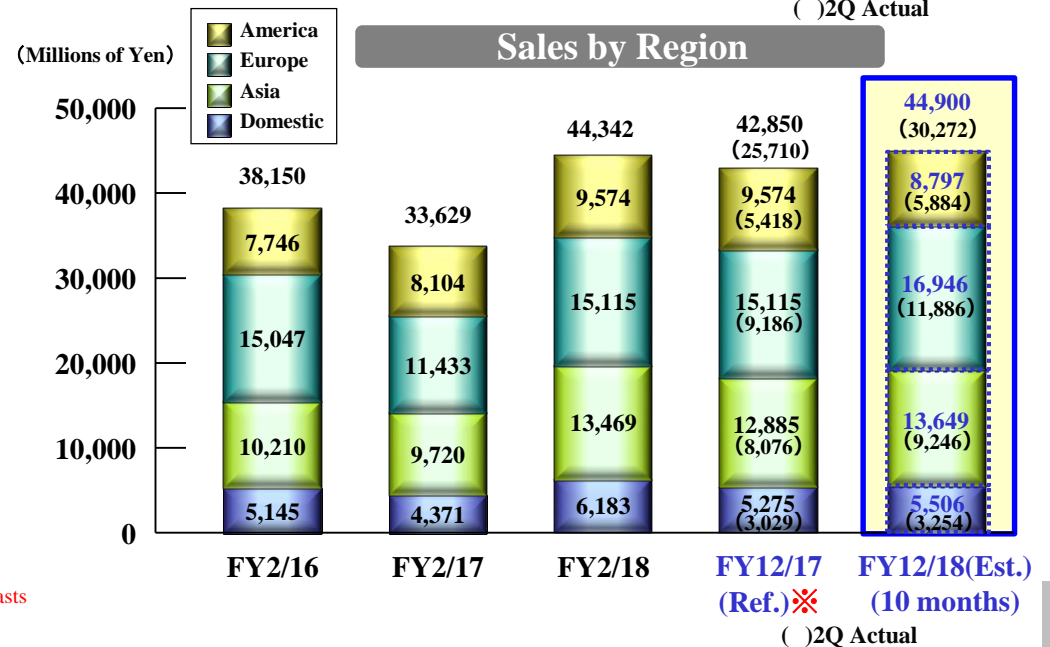
Sales



Sales Volume by Region



Sales by Region

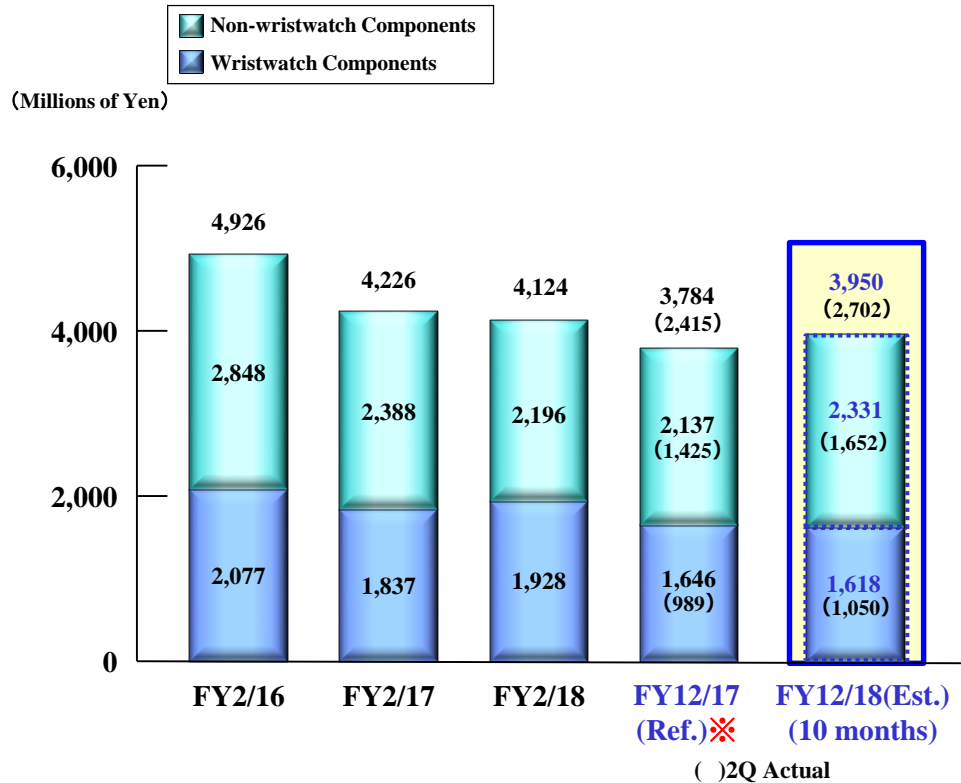


- Sales remained solid in the U.S. market centered on the medical equipment-related sector.
- In the European market, sales were strong centered on the automotive-related sector in major markets such as German and Italy.
- In the Asian market, results were robust in the automotive, communication and medical equipment-related sectors, centered on China.
- In the Japanese market, sales remained strong in a wide array of sectors that include automobiles and semiconductors.

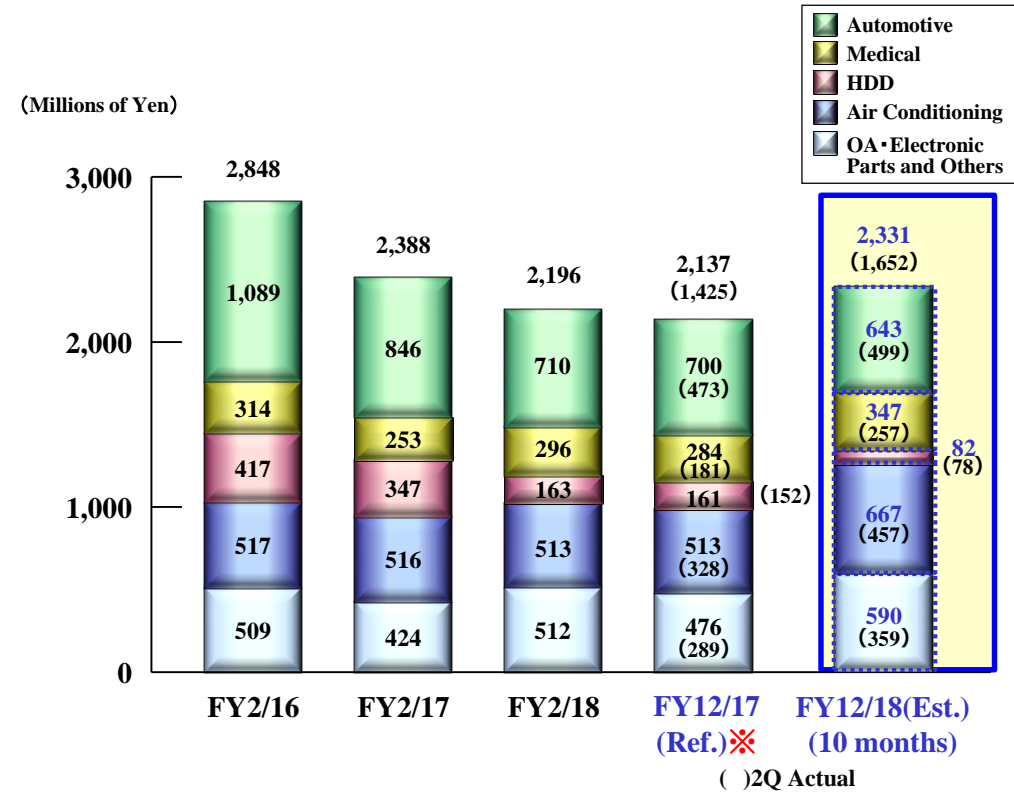
※ Proforma FY12/17 business results are provided for reference purposes only. Data has been restated from actual business results for the previous fiscal year for comparative purposes with the current 2Q and forecasts with the full fiscal year under the same conditions.



Sales



Sales of Non-wristwatch Components



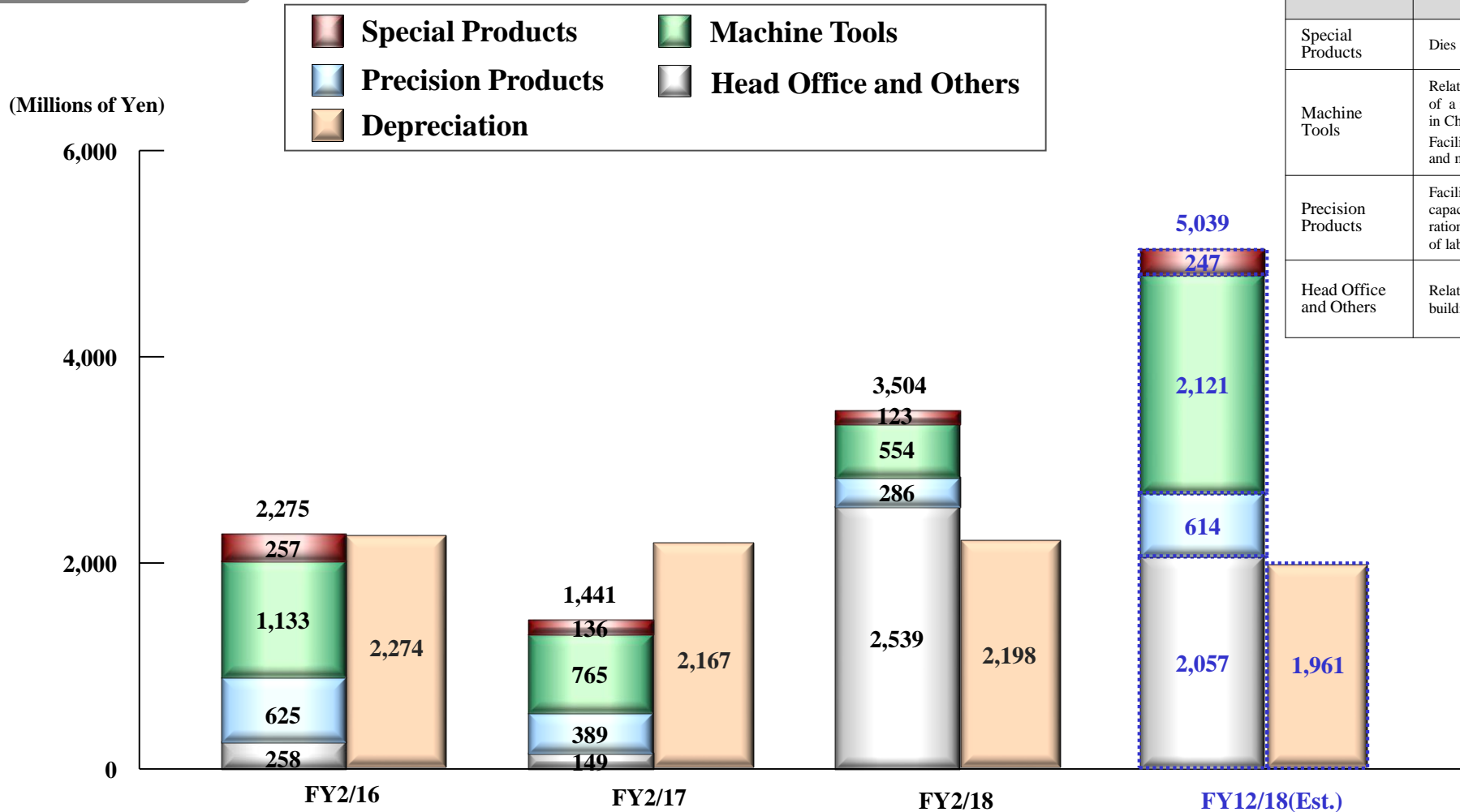
- Sales of wristwatch components remained solid owing to strong sales by wristwatch makers.
- Sales of non-wristwatch components were sluggish amid HDDs component market shrinkage, but sales for air conditioning and medical-related components were strong.

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Capital Investment / R&D Costs



Capital Investment



【Main Capital Investment Plans】

| | Breakdown |
|------------------------|--|
| Special Products | Dies for new models, etc. |
| Machine Tools | Related to the construction of a new factory building in China Facilities for replacement and maintenance |
| Precision Products | Facility for increase capacity and rationalization, elimination of labor |
| Head Office and Others | Related to new head office building, etc. |

R&D Costs

(Millions of Yen)

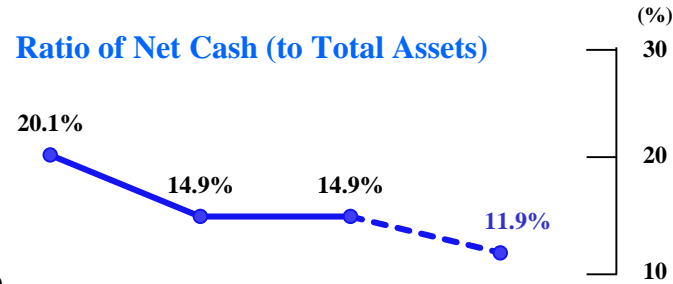
| | FY2/16 | FY2/17 | FY2/18 | FY12/18(Est.) |
|-----------|--------|--------|--------|---------------|
| R&D costs | 2,005 | 2,032 | 1,994 | 1,455 |

Balance Sheets

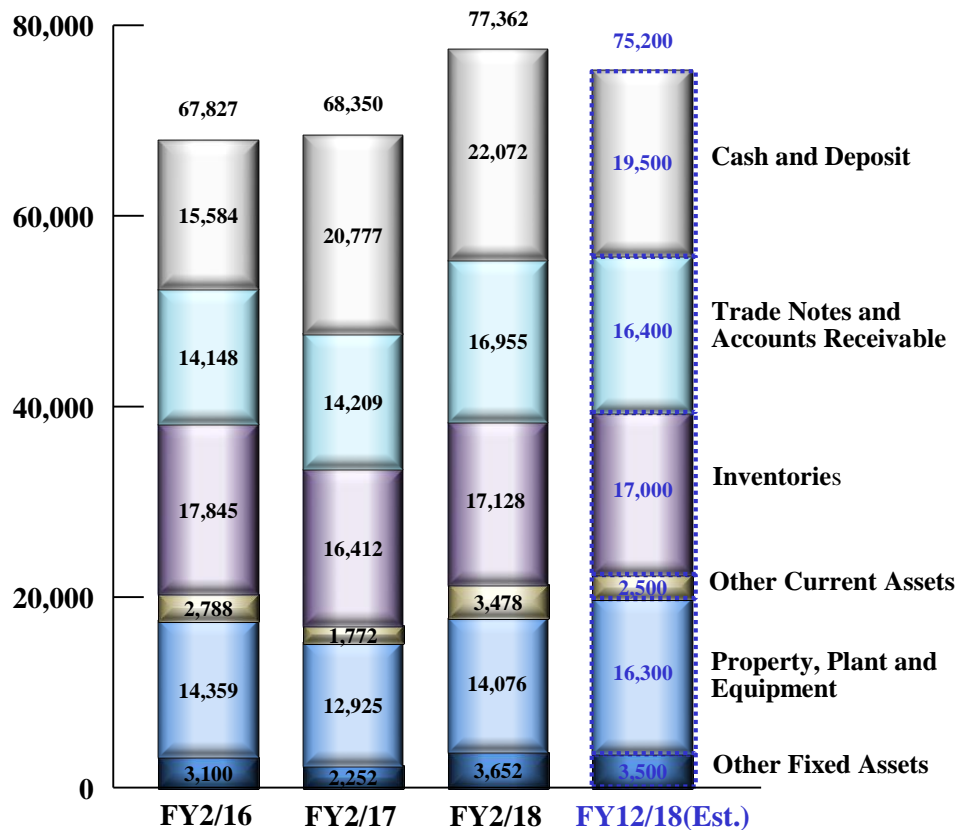


Assets

Ratio of Net Cash (to Total Assets)

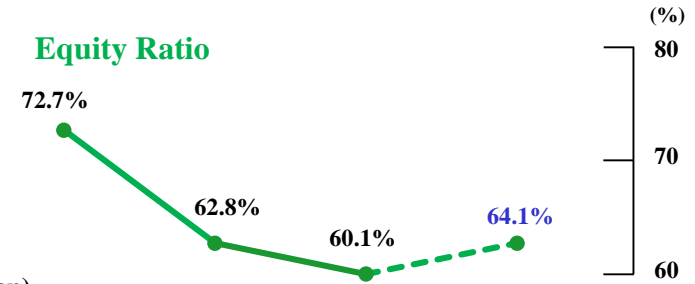


(Millions of Yen)

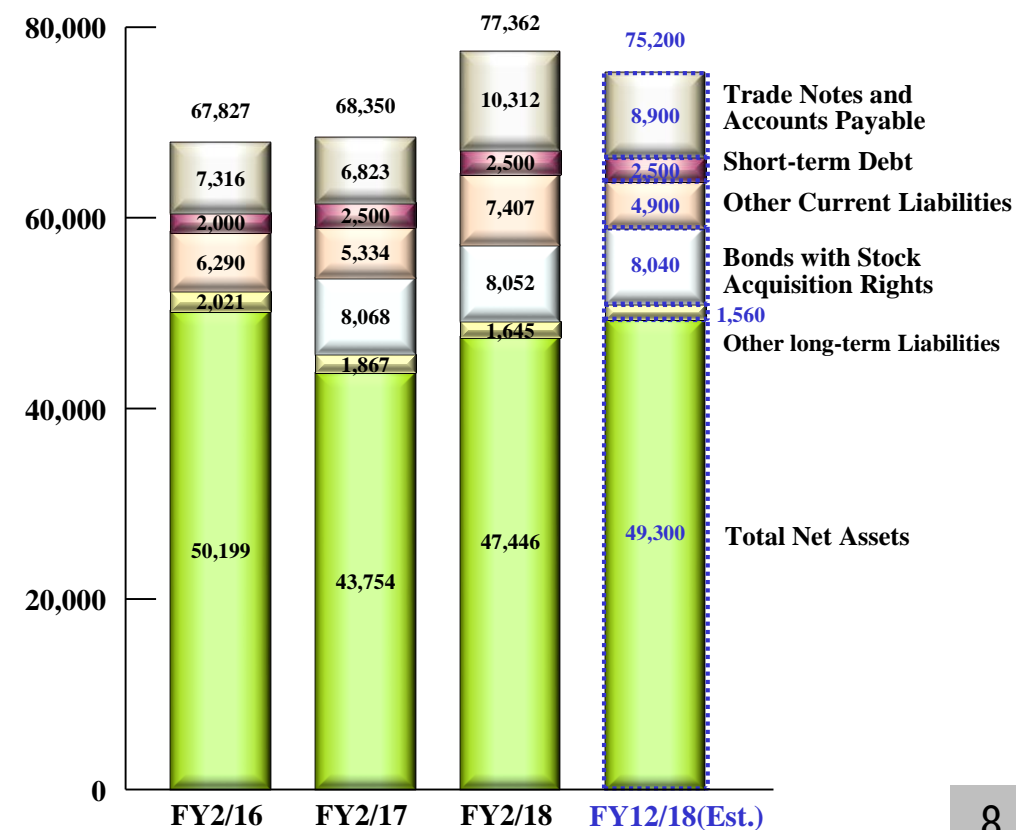


Liabilities/Net assets

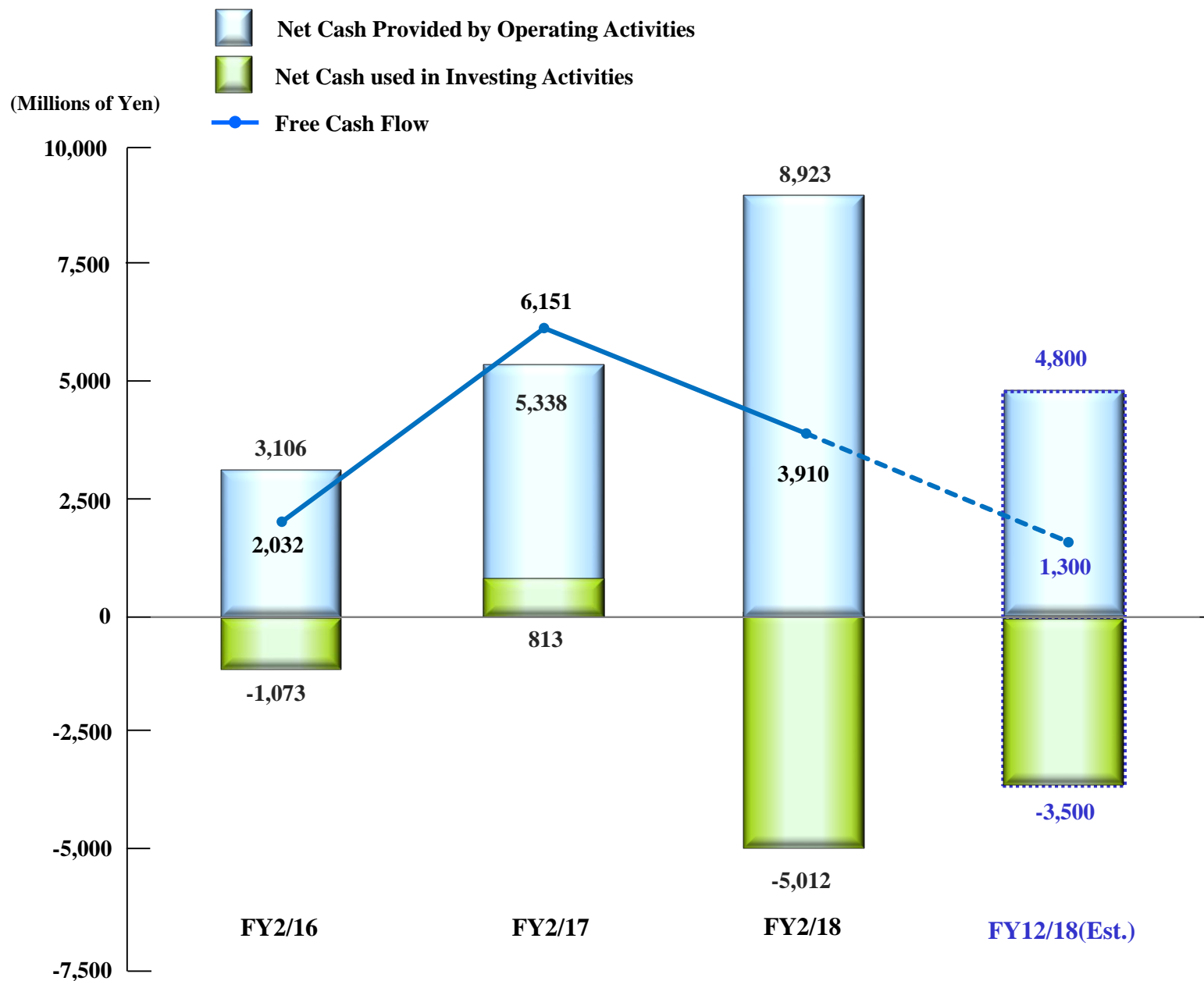
Equity Ratio



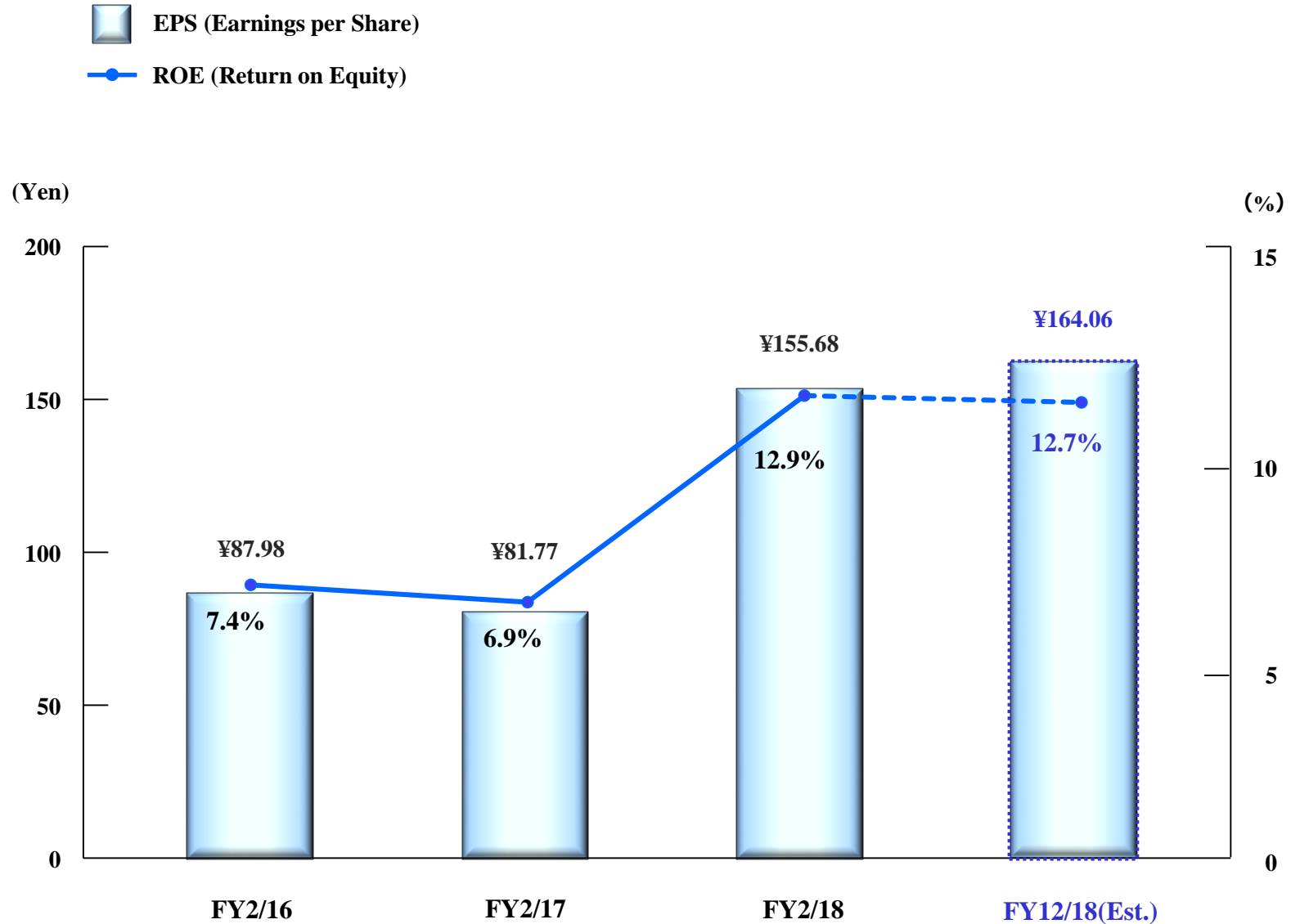
(Millions of Yen)



Cash Flows



Key Financial Indicators

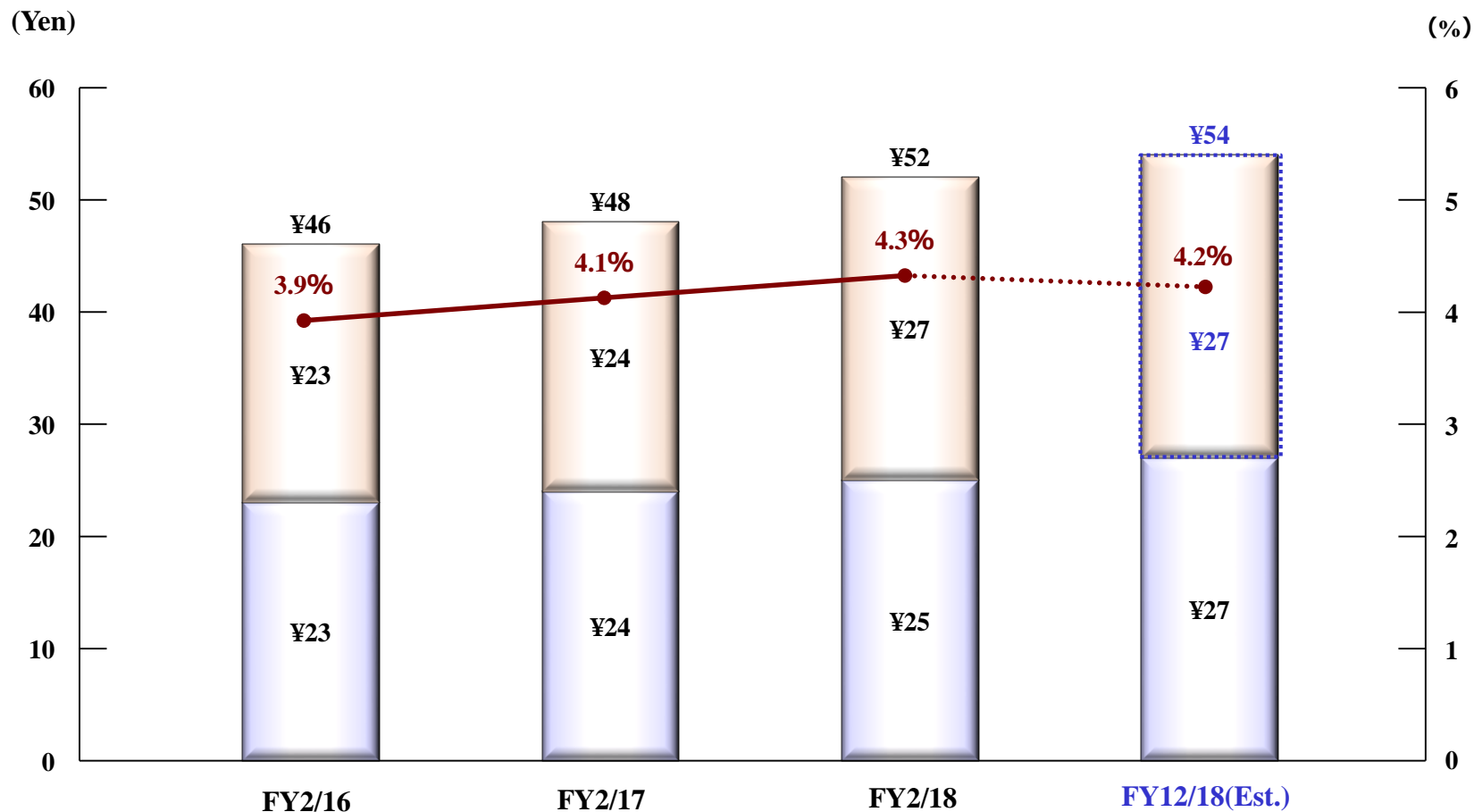


Returns to Shareholders



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

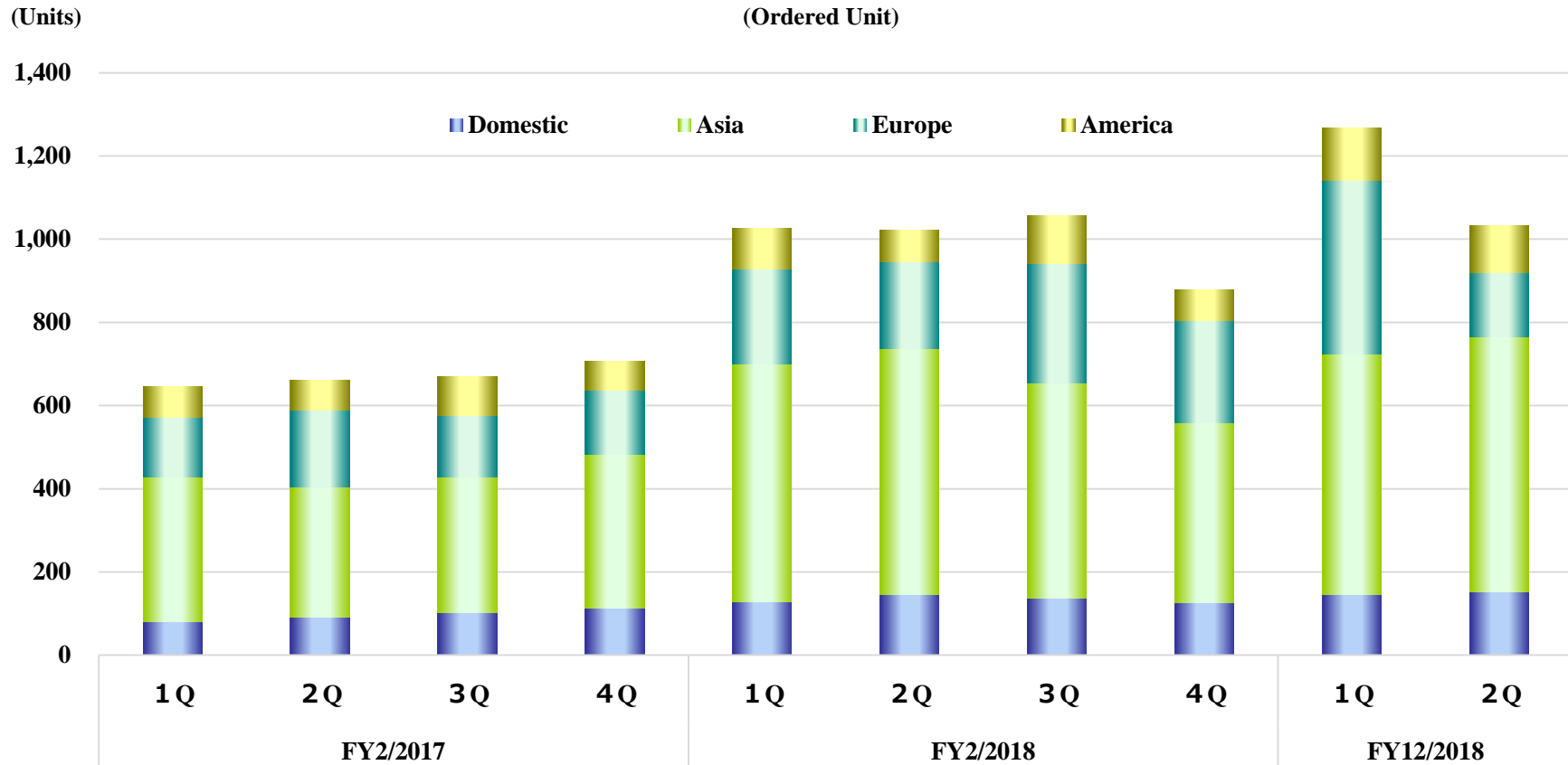
Year-end Dividend per Share
 Interim Dividend per Share
 DOE (Dividend on Equity)



| | | | | |
|---------------------------|--------------|---------------|--------------|--------------|
| Total Payout Ratio | 52.3% | 257.3% | 53.1% | 49.4% |
|---------------------------|--------------|---------------|--------------|--------------|

Reference

Trends in Quarterly Machine Tool Orders



| | Mar.-May. | Jun.-Aug. | Sep.-Nov. | Dec.-Feb. | Mar.-May. | Jun.-Aug. | Sep.-Nov. | Dec.-Feb. | Mar.-May. | Jun.-Aug. |
|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| America | 73 | 72 | 94 | 69 | 99 | 76 | 115 | 75 | 126 | 113 |
| Europe | 144 | 183 | 148 | 155 | 228 | 209 | 287 | 245 | 418 | 153 |
| Asia | 347 | 313 | 326 | 371 | 571 | 592 | 517 | 432 | 578 | 615 |
| Domestic | 81 | 92 | 102 | 112 | 128 | 145 | 137 | 127 | 145 | 151 |
| Total | 645 | 660 | 670 | 707 | 1,026 | 1,022 | 1,056 | 879 | 1,267 | 1,032 |

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) |
|---------------|--------------------------------|--|--------------------|---|--------------------|---|--------------------|--------------|------------|------------|---------------------------------|
| FY2/09 | 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 | 60,772 | 6,210 | 10.2 | 7,015 | 11.5 | 5,780 | 9.5 | 155.68 | 12.9 | 4.3 | 52.0 |
| FY12/18(Est.) | 61,200 | 8,200 | 13.4 | 8,300 | 13.6 | 6,000 | 9.8 | 164.06 | 12.7 | 4.2 | 54.0 |

Special Products



Cash Drawer and Receipt Printer
mPOP



POS Printer
mC-Print series



Mobile Printer
SM-L200

Machine Tools



CNC Swiss Type Automatic Lathe
SV-20R



CNC Swiss Type Automatic Lathe
SR-38 type B



CNC Swiss Type Automatic Lathe
SR-20JII type B

Precision Products

Wristwatch Components



Non-Wristwatch Components

(Automotive, Air Conditioning, HDD and Medical Components)



(Automotive Components)