

# Financial Results for the FY12/2018

STAR MICRONICS CO., LTD.

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

Code 7718

February 13, 2019

\* 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**

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# About the Consolidated Fiscal Period



**STAR MICRONICS** has changed its account settlement date from the end of February to December 31 for the fiscal period under review (the fiscal period ended December 31, 2018).

As a transitional period, the consolidated fiscal period for the fiscal period under review is based on and presented for the 10-month period from March 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose conventional account settlement date is February 28 and the 12-month period from January 1, 2018 to December 31, 2018 for companies that fall within the scope of consolidation whose account settlement date is December 31

**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)

	FY12/2018											
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Star Micronics and Domestic Consolidated Subsidiaries			First quarter			Second quarter			Third quarter			
Overseas Consolidated Subsidiaries			First quarter					Second quarter			Third quarter	

# Consolidated Operating Results



(Millions of Yen)

	FY2/18 Actual		FY12/18 <sup>※1</sup>				
			Initial Forecasts (Announced on April 11,2018)		Actual		
	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Change (%)
<b>Sales</b>							
Special Products	12,305		12,320		12,651		+2.7
Machine Tools	44,342		40,000		49,337		+23.3
Precision Products	4,124		3,680		3,950		+7.3
<b>Total</b>	<b>60,772</b>		<b>56,000</b>		<b>65,939</b>		<b>+17.7</b>
<b>Operating Income</b>							
Special Products	1,626	13.2	1,950	15.8	2,265	17.9	+16.1
Machine Tools	7,027	15.8	6,680	16.7	9,389	19.0	+40.6
Precision Products	255	6.2	290	7.9	322	8.2	+11.2
Eliminations or Corporate	(2,699)		(2,020)		(2,265)		
<b>Total</b>	<b>6,210</b>	<b>10.2</b>	<b>6,900</b>	<b>12.3</b>	<b>9,712</b>	<b>14.7</b>	<b>+40.8</b>
<b>Ordinary Income</b>	<b>7,015</b>	<b>11.5</b>	<b>7,000</b>	<b>12.5</b>	<b>9,570</b>	<b>14.5</b>	<b>+36.7</b>
<b>Net Income Attributable to Owners of Parent</b>	<b>5,780</b>	<b>9.5</b>	<b>5,400</b>	<b>9.6</b>	<b>6,795</b>	<b>10.3</b>	<b>+25.8</b>

ROE (%) <sup>※2</sup>	12.9	11.5	14.3
Cash Dividends Applicable to the Year	¥52	¥54	¥54
DOE (%) <sup>※3</sup>	4.3	4.2	4.1

Exchange Rate	US\$	¥112.19	¥105.00	¥110.44
	EUR	¥126.66	¥130.00	¥130.42
	GBP	¥144.52	¥145.00	¥147.48
	CHF	¥113.94	¥110.00	¥112.96

※1. The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

※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(%)

# Consolidated Business Forecast



(Millions of Yen)

	FY12/18 Actual <sup>※1</sup>		FY12/18 Reference <sup>※2</sup>		FY12/19 Forecast							
	Amount	Income Ratio (%)	Amount	Income Ratio (%)	1st Half		2nd Half		Full-Year			
					Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Change (%)	
<b>Sales</b>												
Special Products	12,651		13,030		6,070		7,170		13,240			+1.6
Machine Tools	49,337		50,829		25,100		24,750		49,850			(1.9)
Precision Products	3,950		4,290		1,630		1,480		3,110			(27.5)
<b>Total</b>	<b>65,939</b>		<b>68,151</b>		<b>32,800</b>		<b>33,400</b>		<b>66,200</b>			<b>(2.9)</b>
<b>Operating Income</b>												
Special Products	2,265	17.9	2,136	16.4	790	13.0	1,140	15.9	1,930	14.6		(9.6)
Machine Tools	9,389	19.0	9,304	18.3	4,710	18.8	4,530	18.3	9,240	18.5		(0.7)
Precision Products	322	8.2	357	8.3	0	0.0	30	2.0	30	1.0		(91.6)
Eliminations or Corporate	(2,265)		(2,616)		(1,200)		(1,200)		(2,400)			
<b>Total</b>	<b>9,712</b>	<b>14.7</b>	<b>9,181</b>	<b>13.5</b>	<b>4,300</b>	<b>13.1</b>	<b>4,500</b>	<b>13.5</b>	<b>8,800</b>	<b>13.3</b>		<b>(4.2)</b>
<b>Ordinary Income</b>	<b>9,570</b>	<b>14.5</b>	<b>9,041</b>	<b>13.3</b>	<b>4,400</b>	<b>13.4</b>	<b>4,600</b>	<b>13.8</b>	<b>9,000</b>	<b>13.6</b>		<b>(0.5)</b>
<b>Net Income Attributable to Owners of Parent</b>	<b>6,795</b>	<b>10.3</b>	<b>6,141</b>	<b>9.0</b>	<b>3,100</b>	<b>9.5</b>	<b>3,200</b>	<b>9.6</b>	<b>6,300</b>	<b>9.5</b>		<b>+2.6</b>

ROE (%) <sup>※3</sup>	14.3	—
Cash Dividends Applicable to the Year	¥54	—
DOE (%) <sup>※4</sup>	4.1	—

12.7
¥56
4.0

Exchange Rate	US\$	¥110.44
	EUR	¥130.42
	GBP	¥147.48
	CHF	¥112.96

Planned Rate	Foreign Exchange Sensitivity <sup>※5</sup>
¥105.00	15 million
¥125.00	56 million
¥145.00	8 million
¥110.00	41 million

※1. Results for the consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

※2. Figures presented as a reference for the fiscal period ended December 31, 2018 have been calculated to facilitate a comparison with forecasts for the fiscal year ending December 31, 2019 under the same conditions (a 12-month period for both domestic and overseas Group companies).

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

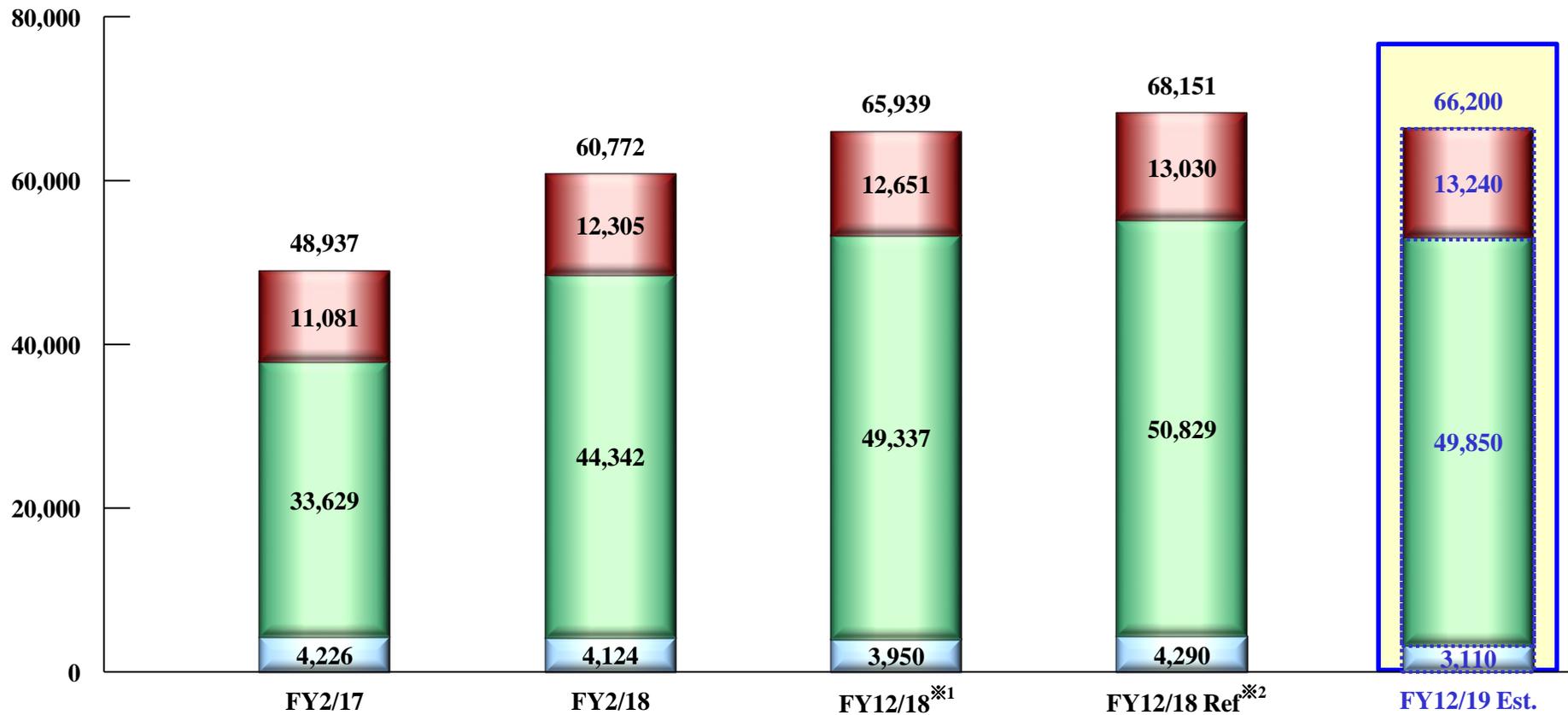
※4. DOE (Dividend on Equity) = The ratio of the non-consolidated dividend per common share (annual) / consolidated net assets per share (year average) x 100(%)

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

# Sales by Segment



(Millions of Yen)

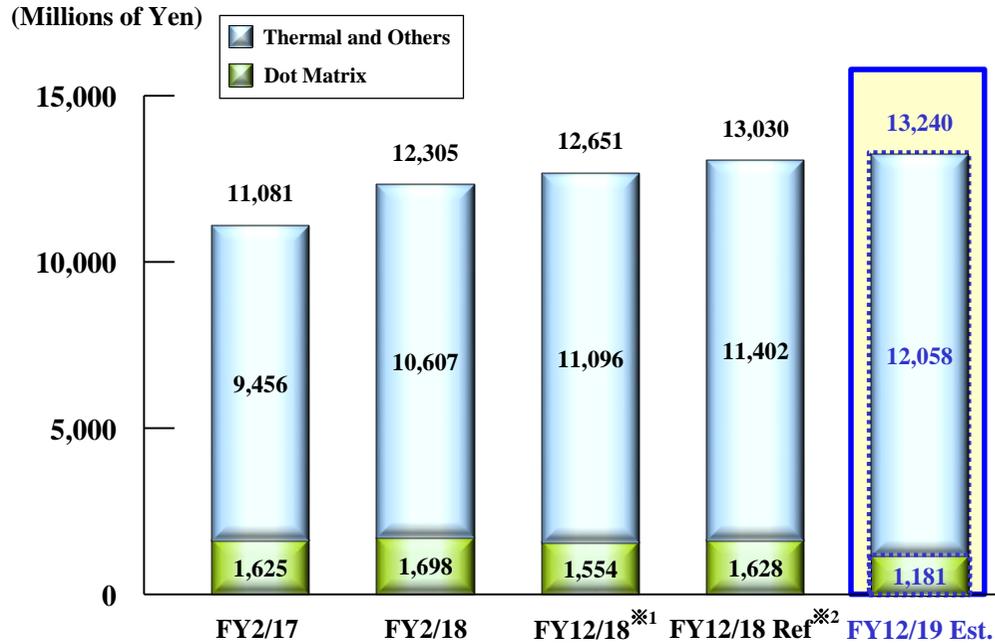


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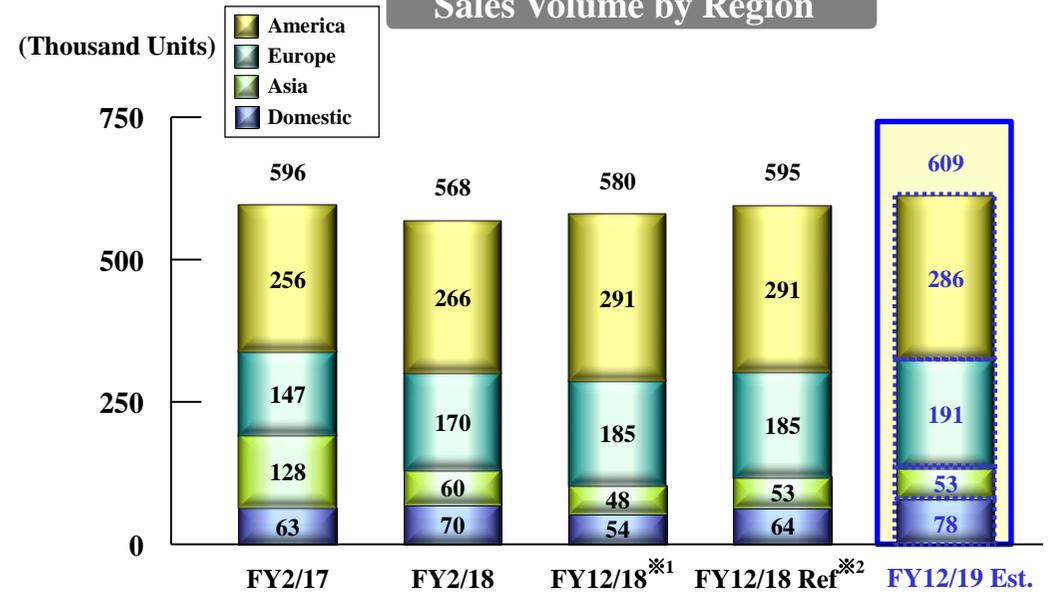
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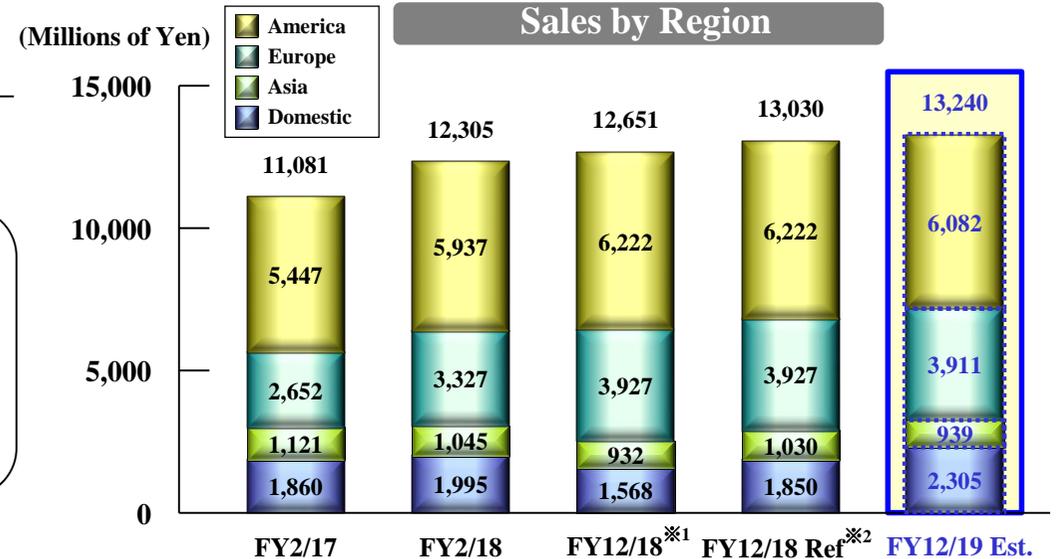
## Sales



## Sales Volume by Region



## Sales by Region



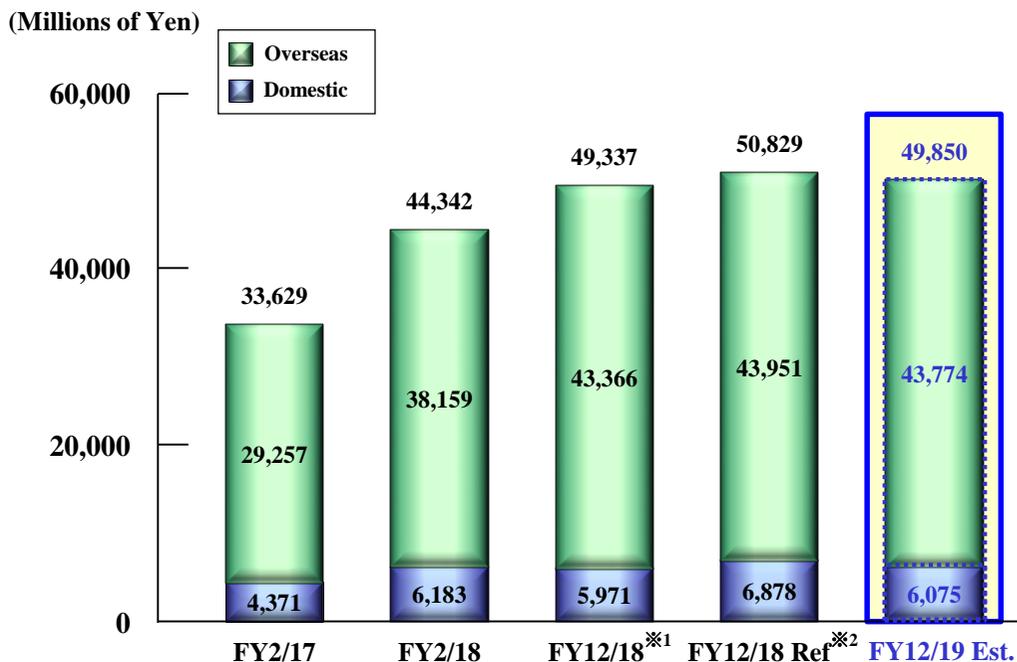
- Sales were solid in the U.S. market.
- Sales were strong in the European market on the back of robust sales trends mainly in leading industrial markets.
- In the Asian market, sales were sluggish. This included a drop in demand in China.
- The overall Japanese market remained solid, but large project demand was weak.

\*1. The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

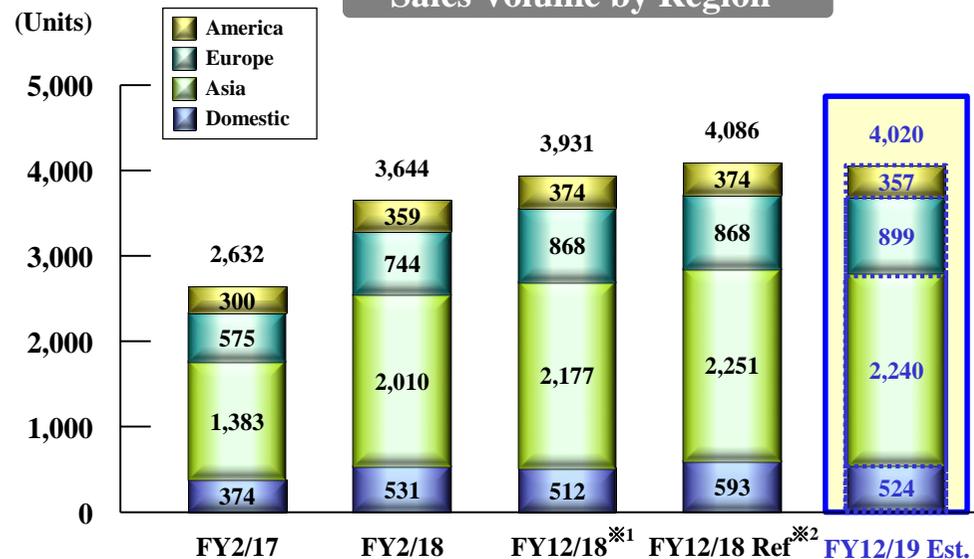
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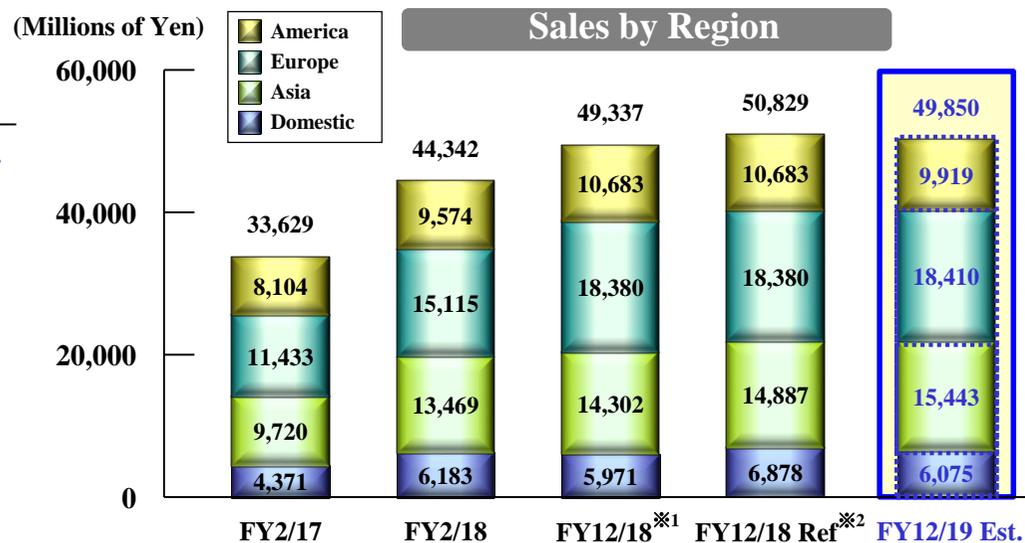
### Sales



### 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 market in China.
- In the Japanese market, sales remained strong in a wide array of sectors including those related to automobiles.

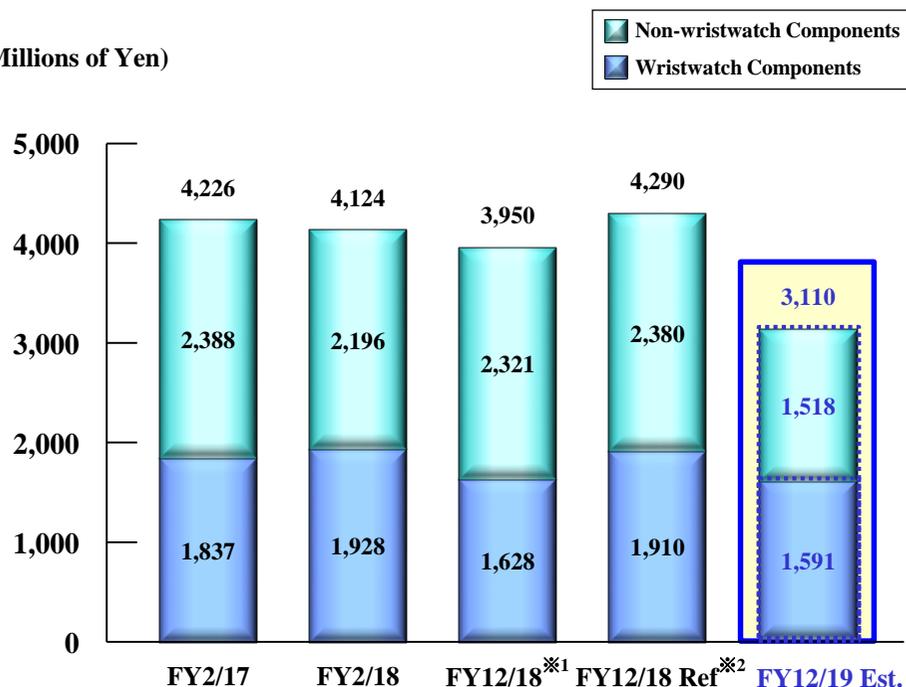
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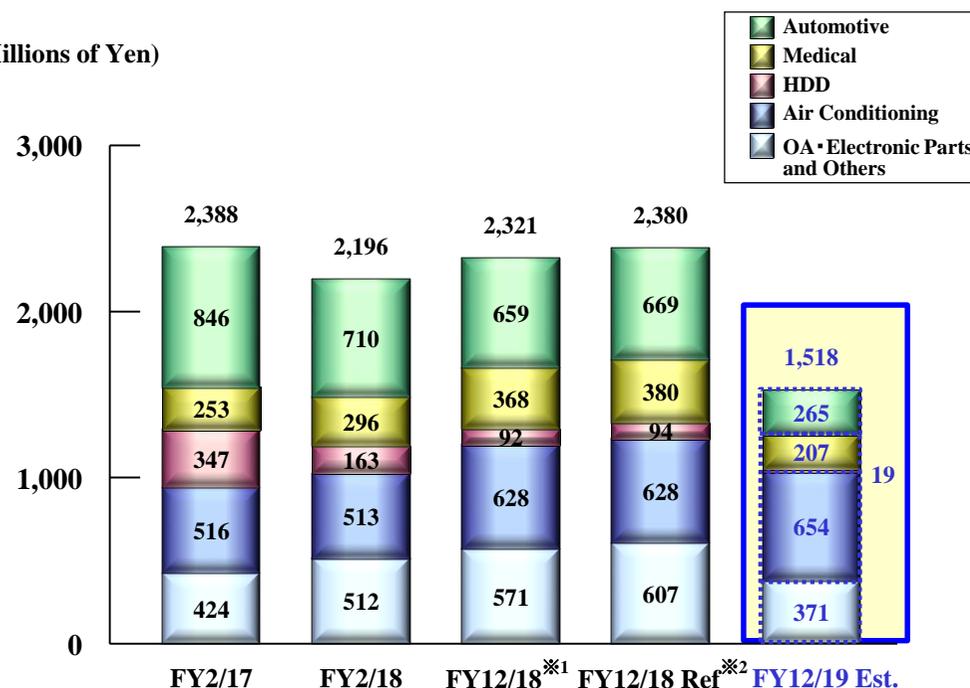
## Sales

(Millions of Yen)



## Sales of Non-wristwatch Components

(Millions of Yen)



- Sales of wristwatch components remained solid owing to strong sales by wristwatch makers in the first half.
- Sales of non-wristwatch components were sluggish amid HDDs component market shrinkage, but sales for air conditioning and medical-related components were strong.
- Steps were taken to sell STAR MICRNICs PRECISION (THAILAND) CO., LTD., a manufacturing subsidiary, at the end of September last year as a part of the Company's review of its production structure and systems.

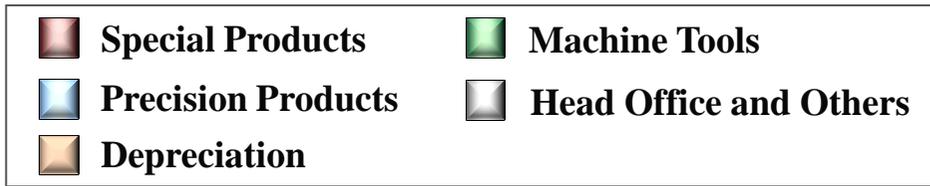
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# Capital Investment / R&D Costs



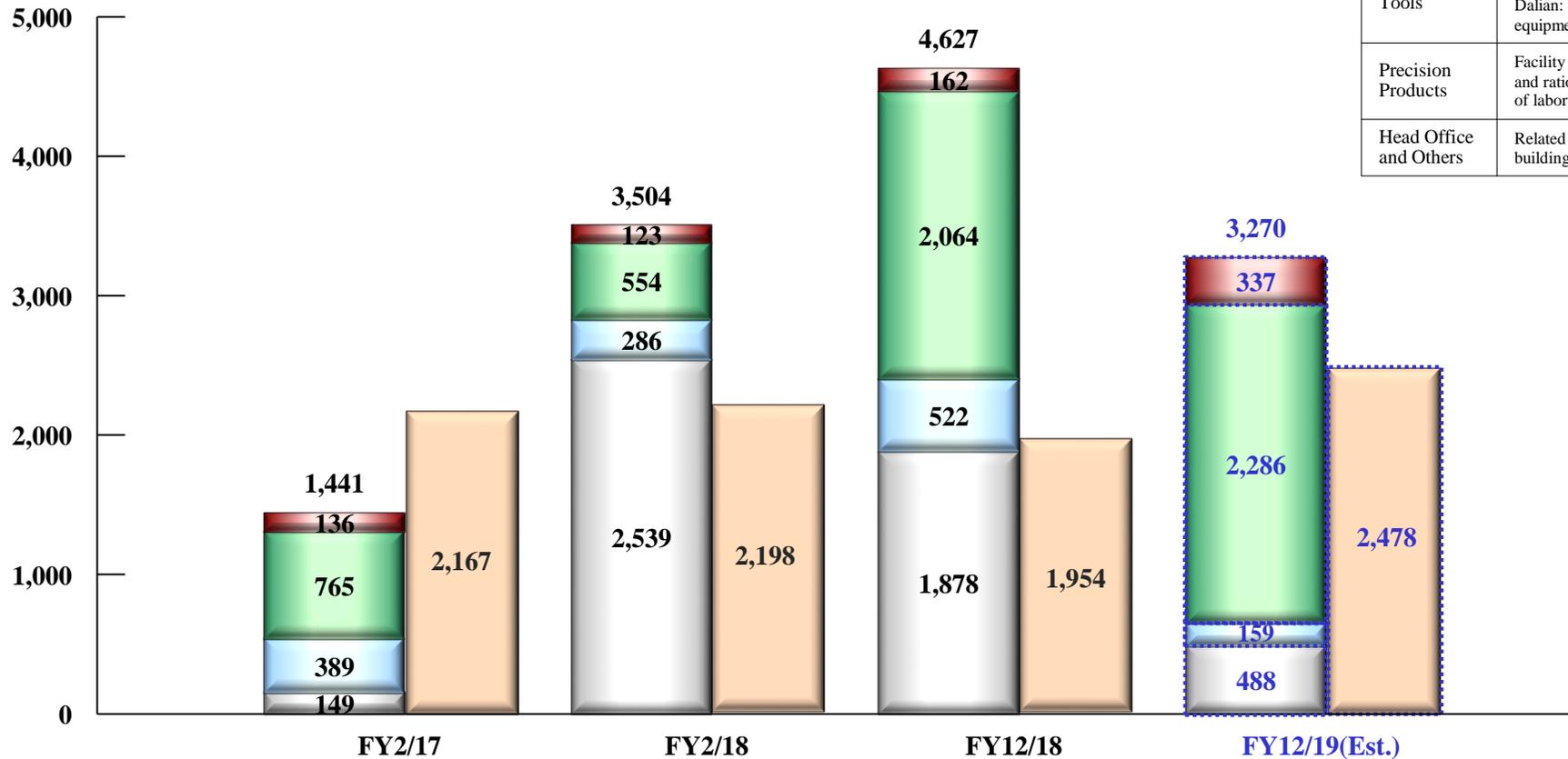
## Capital Investment



【Main Capital Investment Plans】

	Breakdown
Special Products	Dies for new models, etc.
Machine Tools	Facilities for replacement and maintenance Dalian: Machinery and equipment, etc.
Precision Products	Facility for increase capacity and rationalization, elimination of labor
Head Office and Others	Related to new head office building, etc.

(Millions of Yen)



## R&D Costs

(Millions of Yen)

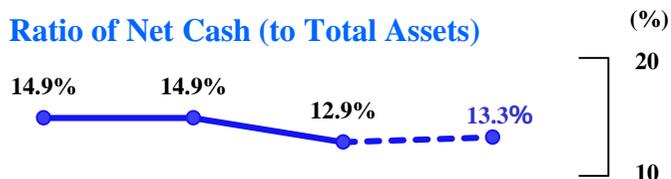
	FY2/17	FY2/18	FY12/18	FY12/19(Est.)
R&D Costs	2,032	1,994	1,469	1,790

# Balance Sheets

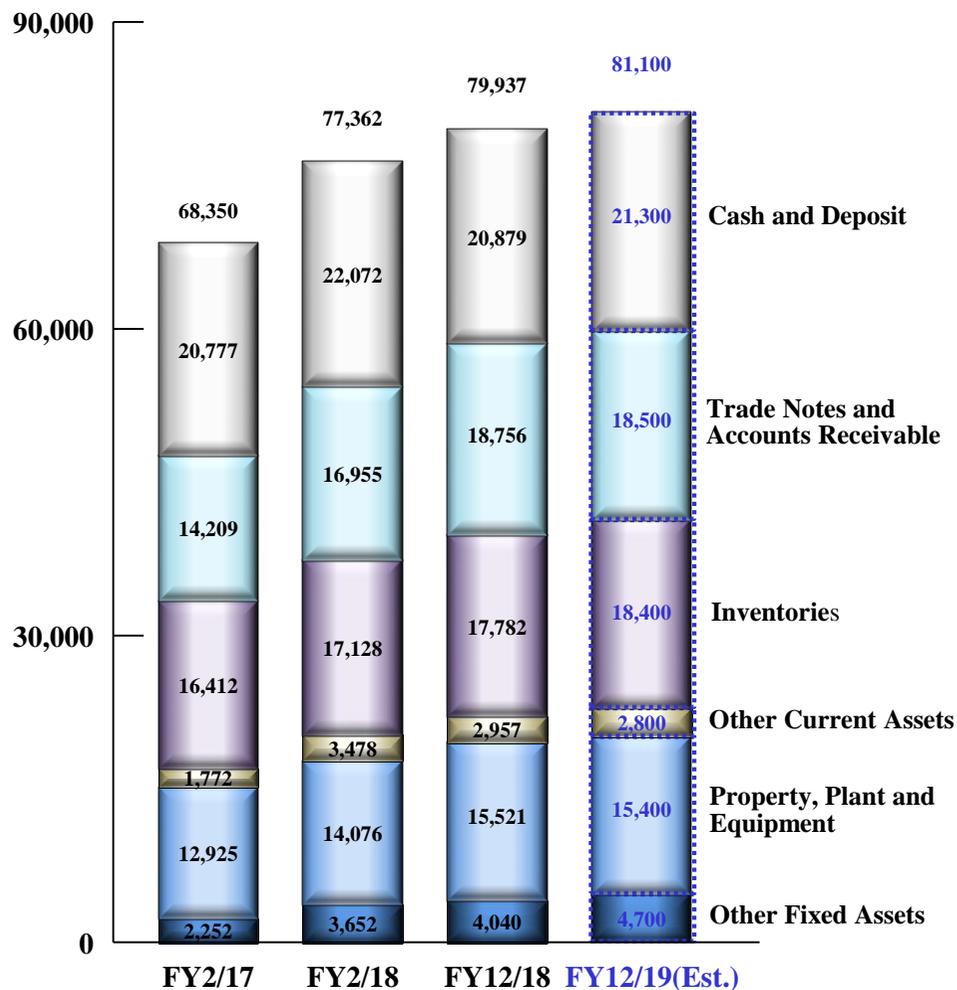


## Assets

### Ratio of Net Cash (to Total Assets)

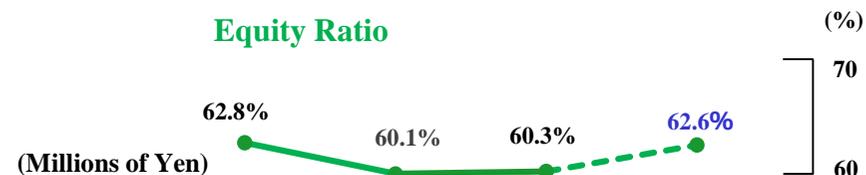


(Millions of Yen)

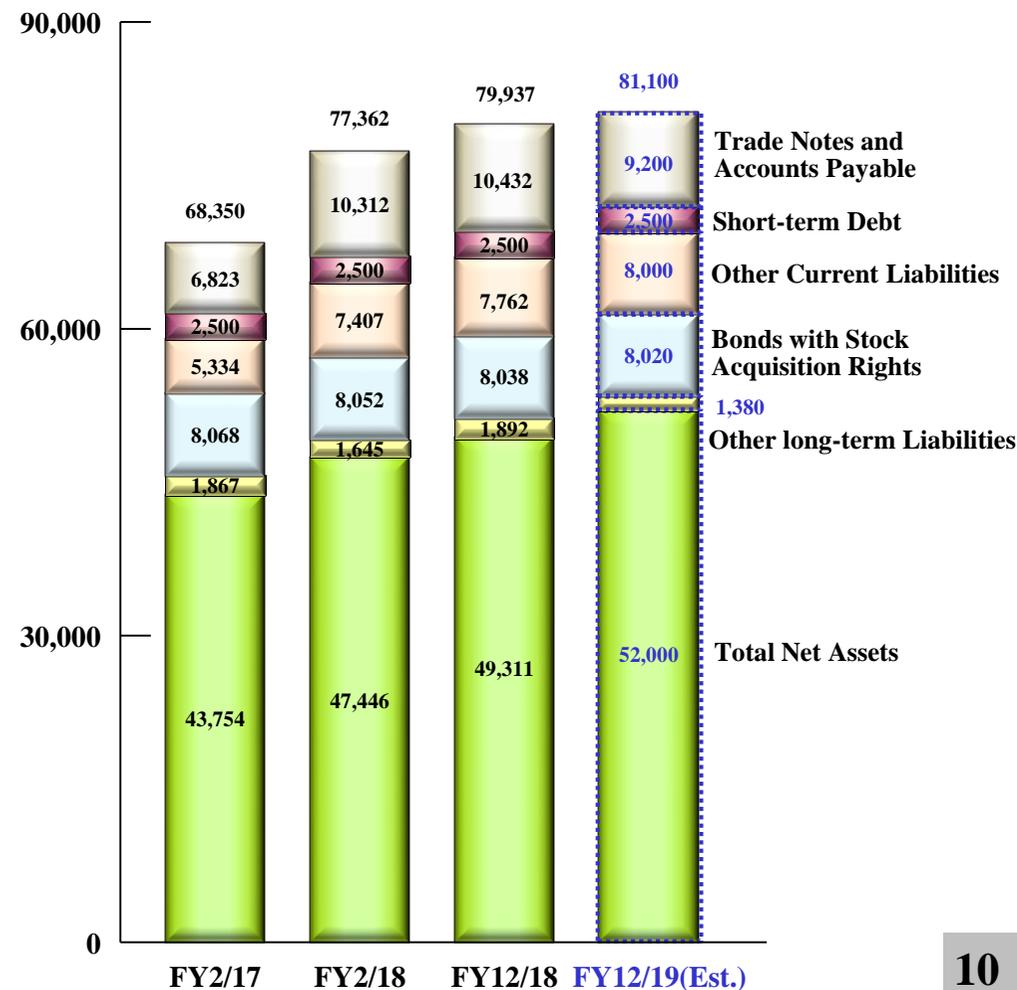


## Liabilities/Net assets

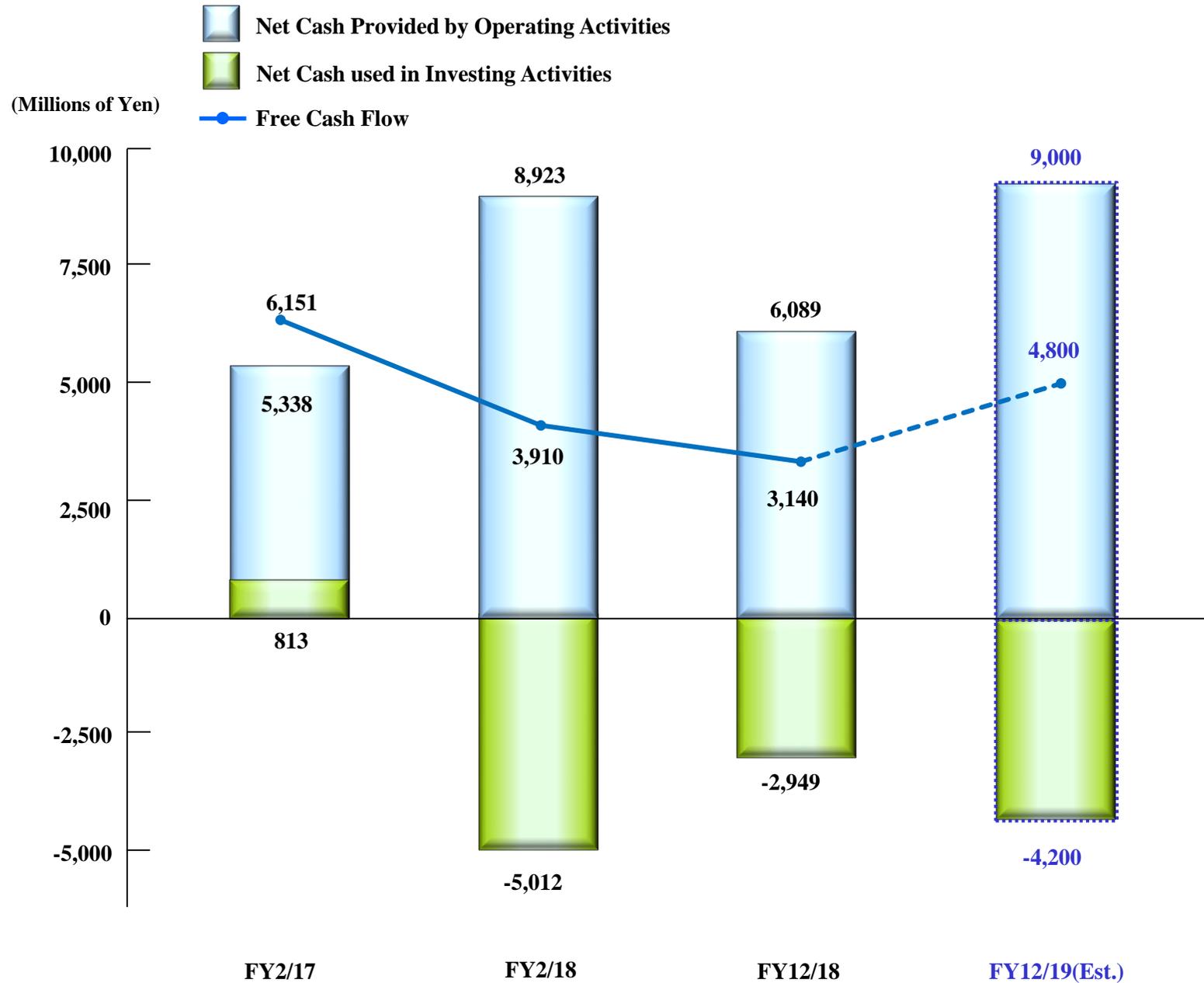
### Equity Ratio



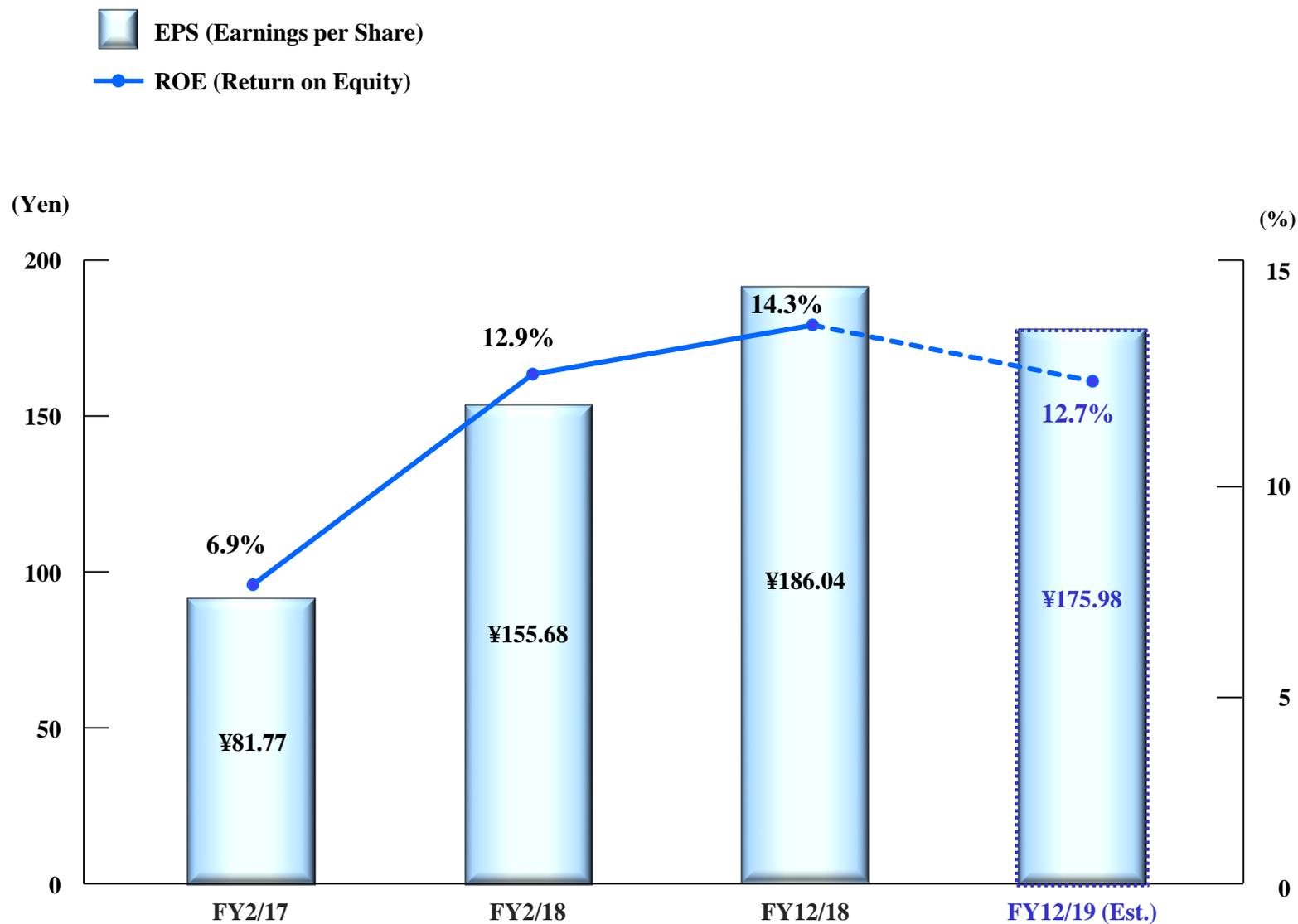
(Millions of Yen)



# Cash Flows



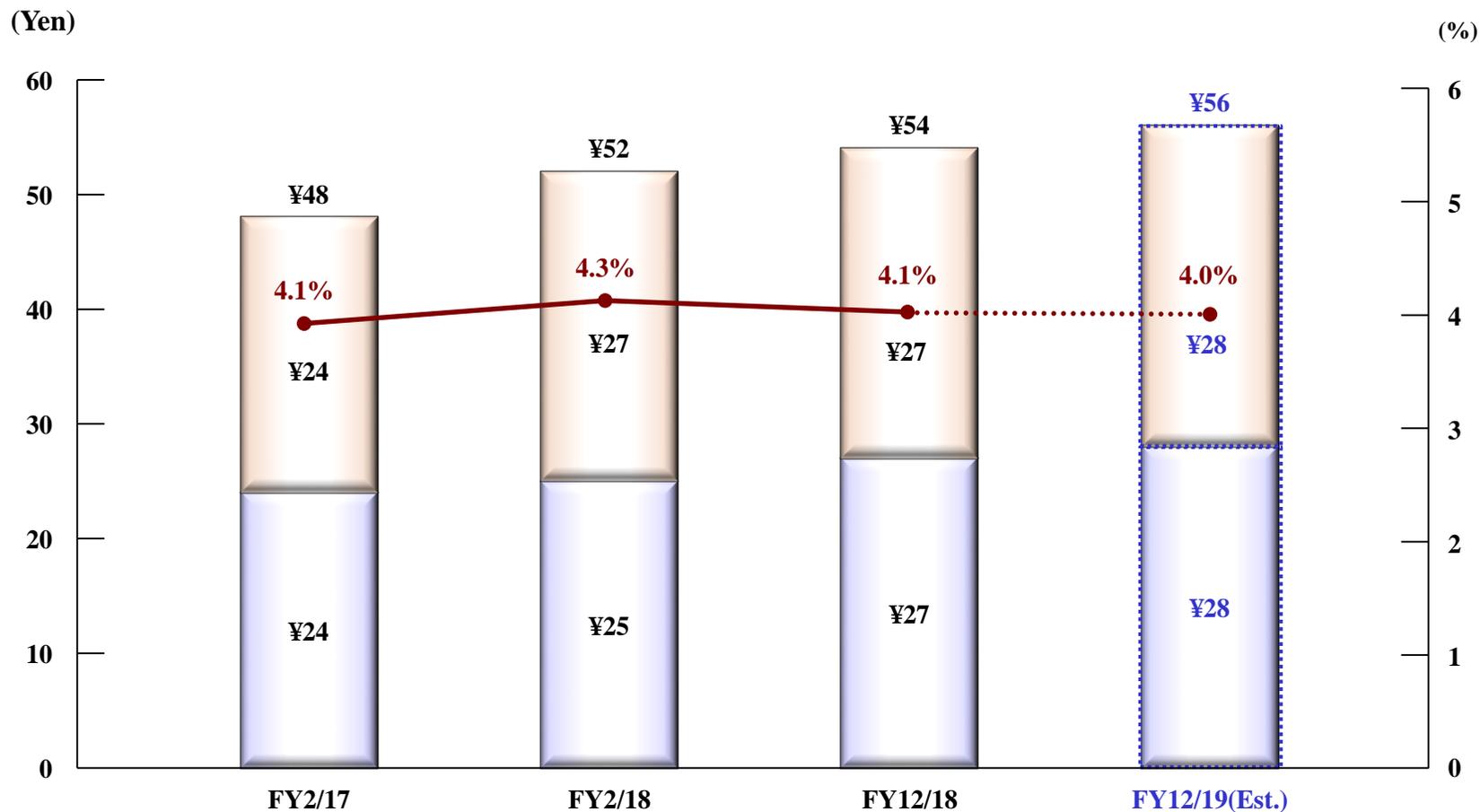
# Key Financial Indicators



# Returns to Shareholders



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



Total Payout Ratio	FY2/17	FY2/18	FY12/18	FY12/19 (Est.)
	257.3%	53.1%	55.2%	50% or more

# **Progress under the Medium-Term Management Plan**

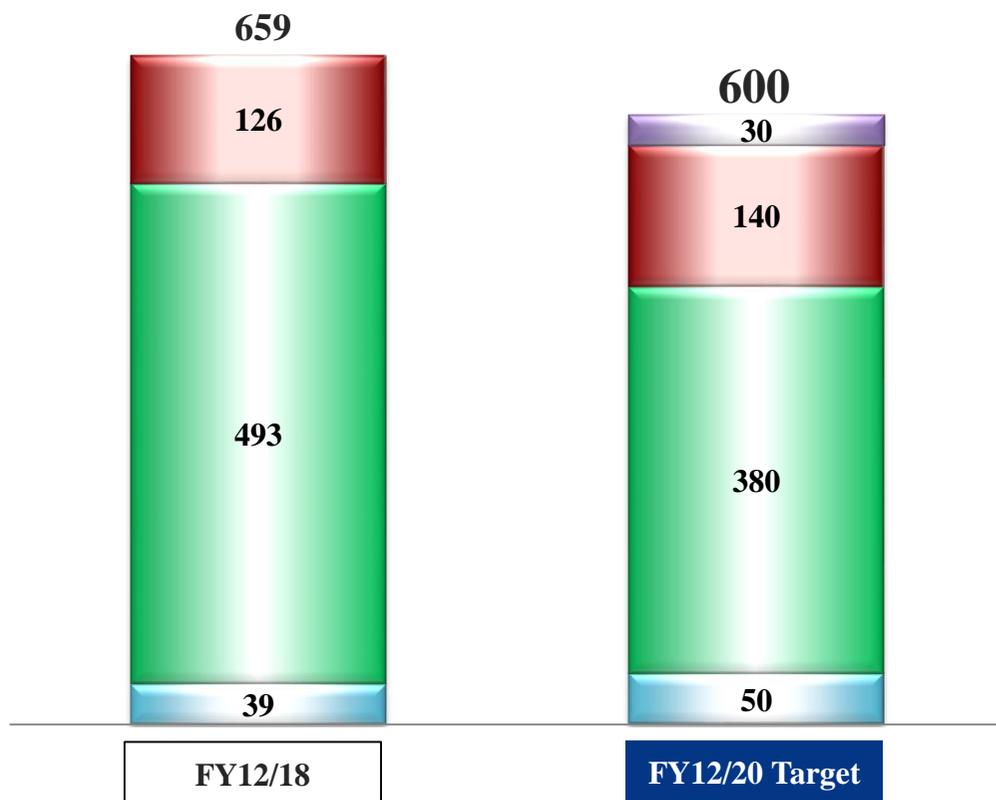
# Progress under the Medium-Term Management Plan

Both net sales and operating income have exceeded targets in the second year under the Medium-Term Management Plan on the back of ongoing robust trends in the Machine Tools segment. This is despite some disparity between business segments.

## Net Sales

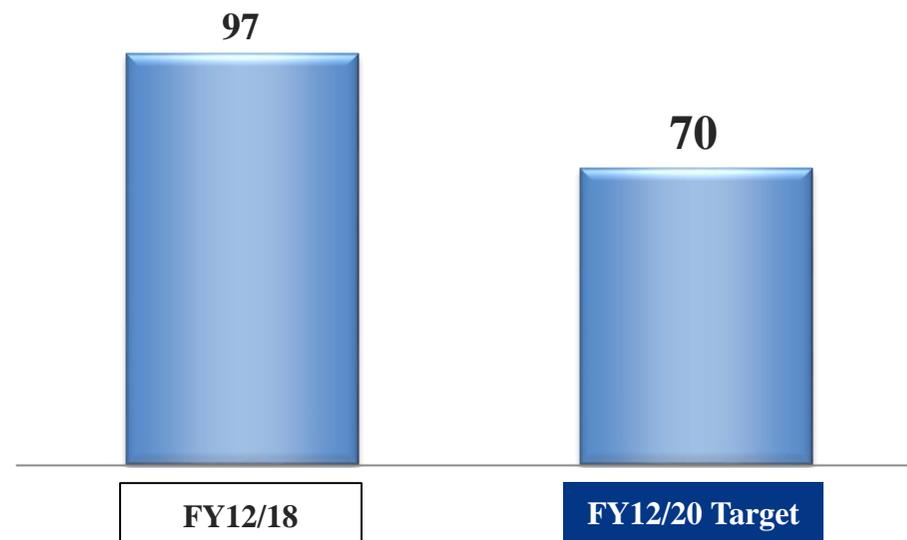
 Special Products
  Machine Tools
  Precision Products
  New Businesses

(Billions of Yen)



## Operating Income

(Billions of Yen)



		FY12/18	FY12/20 Target
Exchange Rate	US \$	¥110.44	¥110.00
	EUR	¥130.42	¥115.00

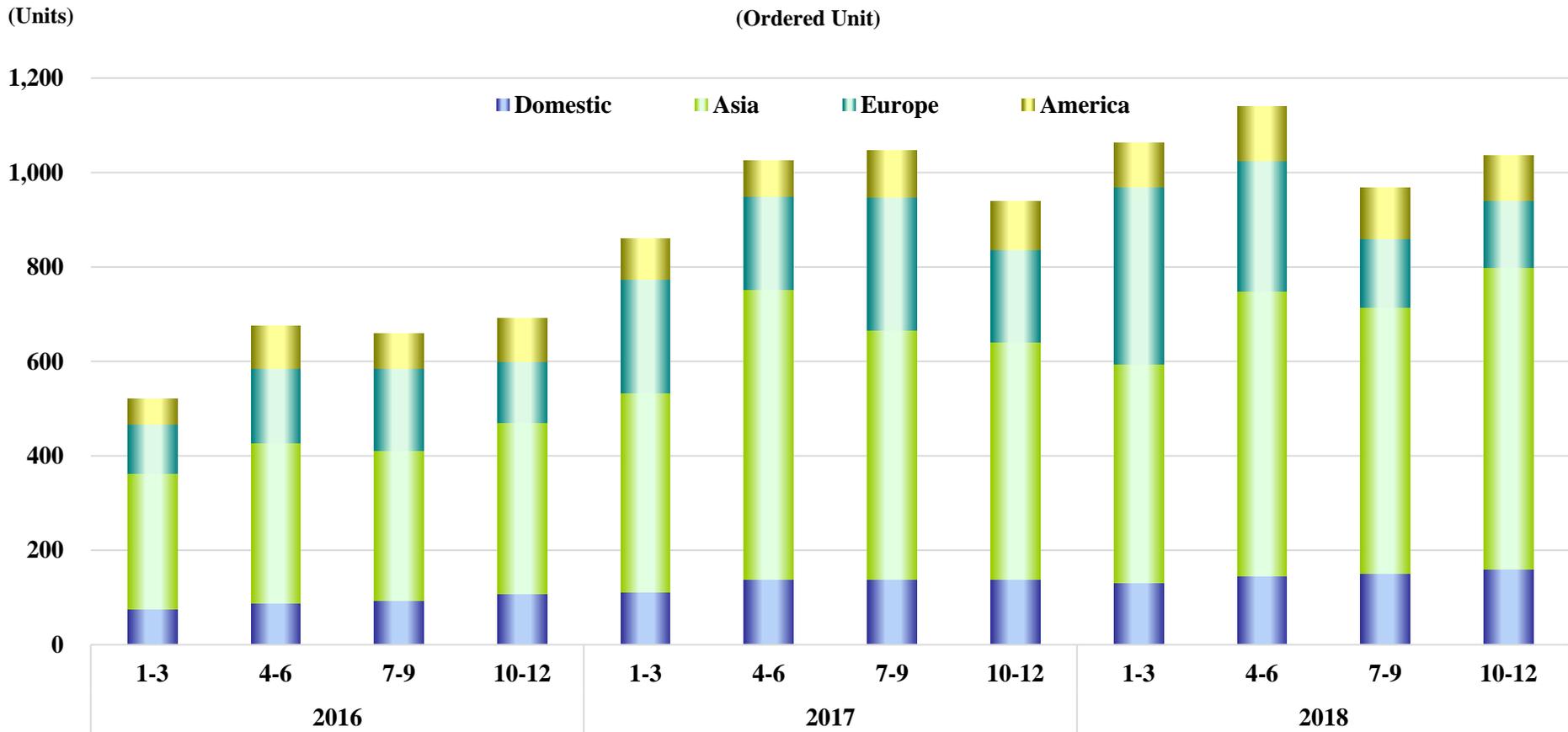
	Strategies (Principal Initiatives)	Achievements and Challenges
<b>Special Products</b>	<ul style="list-style-type: none"> <li>■ Develop high-value-added products</li> <li>■ Reorganize sales bases in Europe in light of the U.K.'s impending withdrawal from the European Union</li> <li>■ Reduce costs by increasing supply chain efficiency</li> </ul>	<ul style="list-style-type: none"> <li>■ Launched mCollection™, a new brand of peripherals for the mPOS market</li> <li>■ Established a new European sales base in Germany</li> <li>■ Reorganizing business divisions and building a new structure and systems with an eye toward strengthening supply chain management</li> </ul>
<b>Machine Tools</b>	<ul style="list-style-type: none"> <li>■ Release a series of fixed headstock automatic lathes</li> <li>■ Develop IoT-related software</li> <li>■ Shorten lead times and reduce inventories through modular design and production</li> <li>■ Strengthen service systems in China</li> </ul>	<ul style="list-style-type: none"> <li>■ Unveiled SK-51, a fixed headstock automatic lathe</li> <li>■ Commenced sales of SMOOSS-i, an operation monitoring system</li> <li>■ Upgraded and expanded the lineup of modular design and production products</li> <li>■ Completed construction of a new facility at the Company's Dalian Plant in China</li> <li>■ Resolved to construct a solutions center</li> </ul>
<b>Precision Products</b>	<ul style="list-style-type: none"> <li>■ Cultivate new customers and markets</li> <li>■ Streamline production and promote automation</li> <li>■ Increase operating rates utilizing IoT</li> </ul>	<ul style="list-style-type: none"> <li>■ Improved profitability through various measures including steps to reorganize production bases</li> <li>■ Newly adopted automated testing equipment</li> </ul>
<b>New Business</b>	<ul style="list-style-type: none"> <li>■ M&amp;A and business alliances, etc</li> <li>■ Vibration Power Generators</li> <li>■ Cloud Services</li> </ul>	<ul style="list-style-type: none"> <li>■ Promote business alliances</li> <li>■ Withdrew from the vibration power generator business</li> <li>■ Reviewed the cloud service business structure and systems</li> </ul>



Solution Center (Image)

# Reference

# Trends in Quarterly Machine Tool Orders



	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
America	54	89	73	92	86	75	98	103	94	115	109	96
Europe	104	157	174	129	241	197	282	196	375	277	145	141
Asia	288	341	317	362	421	614	528	501	463	602	564	640
Domestic	75	87	94	108	112	138	138	139	131	146	150	159
<b>Total</b>	<b>521</b>	<b>674</b>	<b>658</b>	<b>691</b>	<b>860</b>	<b>1,024</b>	<b>1,046</b>	<b>939</b>	<b>1,063</b>	<b>1,140</b>	<b>968</b>	<b>1,036</b>

# 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)
FY2/10	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※	65,939	9,712	14.7	9,570	14.5	6,795	10.3	186.04	14.3	4.1	54.0
FY12/19(Est.)	66,200	8,800	13.3	9,000	13.6	6,300	9.5	175.98	12.7	4.0	56.0

※The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

## Special Products



Cash Drawer and Receipt Printer  
mPOP



POS Printer  
mC-Print series



Mobile Printer  
SM-L200

## Machine Tools



CNC Fixed Headstock Automatic Lathe  
SK-51 type D



CNC Swiss Type Automatic Lathe  
SR-38J



CNC Swiss Type Automatic Lathe  
SR-20JII type B

## Precision Products

### Wristwatch Components



### Non-Wristwatch Components

(Automotive, Air Conditioning, and Medical Components)



(Automotive Components)