

Fiscal 2022 Second-quarter Consolidated Earnings Report (Japanese GAAP)

These financial statements have been prepared for reference in accordance with accounting principles and practices generally accepted in Japan.

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Scheduled release of Fiscal 2022 Second-quarter Business Report: August 10, 2022
Scheduled payment of dividends: August 31, 2022
Preparation of supplementary explanatory materials for quarterly earnings report: Yes
Quarterly earnings presentation: Yes

(Figures less than one million are rounded down)

1. Results for the Second Quarter of Fiscal 2022 (From January 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (Percentages represent changes over the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
FY 2022 Second Quarter	39,252	40.5	5,722	117.5	5,971	107.9	4,209	99.1
FY 2021 Second Quarter	27,930	32.5	2,630	319.8	2,872	371.4	2,114	—

(Note) Comprehensive income FY 2022 Second Quarter ¥9,393 million [141.2%] FY 2021 Second Quarter ¥3,893 million [—%]

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY 2022 Second Quarter	109.91	109.34
FY 2021 Second Quarter	57.61	51.50

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of June 30, 2022	93,296	68,464	72.6
As of December 31, 2021	82,360	61,728	74.1

Reference: Shareholders' Equity

As of June 30, 2022 ¥67,753 million As of December 31, 2021 ¥61,054 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2021	—	29.00	—	29.00	58.00
FY 2022	—	30.00	—	—	—
FY 2022(projected)	—	—	—	30.00	60.00

(Note) Changes to the latest dividend forecast announced: None

3. Consolidated Outlook for the Fiscal Year Ending December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Percentages represent changes over the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income Per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Year	80,500	25.1	10,800	45.6	11,100	42.4	7,900	37.6	207.99

(Note) Changes to the latest consolidated results forecast announced: Yes

*Note

- (1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation): None
New company: — (Company name) , Excluded company: — (Company name)
- (2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, estimates and restatement or corrections
- (i) Changes associated with revised accounting standards: Yes
 - (ii) Changes other than those in (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Retrospective restatement: None

*Please refer to "(3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" under "2. Quarterly Consolidated Financial Statements and Major Notes" on page 7 for details.

- (4) Number of shares issued and outstanding (Common stock)

- (i) Number of shares issued and outstanding at period-end (Including treasury stock)

As of June 30, 2022	43,465,134 shares	As of December 31, 2021	44,091,334 shares
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- (ii) Number of treasury stock at period-end

As of June 30, 2022	5,798,079 shares	As of December 31, 2021	5,367,223 shares
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- (iii) Average number of outstanding shares (During the six months)

As of June 30, 2022	38,298,973 shares	As of June 30, 2021	36,701,666 shares
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* This quarterly earnings report is not subject to quarterly reviews.

* Regarding the appropriate use of earnings projections and other noteworthy matters

The above projections 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. For information regarding the assumptions and other matters related to earnings projections in this report, refer to "(3) Explanation of the Consolidated Earnings Projections and Other Forecasts" under "1. Qualitative Information regarding Quarterly Consolidated Business Performance" on page 2.

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1. Qualitative Information regarding Quarterly Consolidated Business Performance

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the first quarter of the fiscal year under review.

Please refer to "(3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" under "2. Quarterly Consolidated Financial Statements and Major Notes" on page 7 for details.

(1) Explanation of Consolidated Operating Results

During the first half of fiscal 2022, the fiscal year ending December 31, 2022, the global economy was generally on a recovery trajectory. Despite this recovery, economic conditions remained uncertain due to a variety of factors including the resurgence of COVID-19, lockdowns in China, the accelerated pace of global inflation, soaring resource prices triggered by the prolonged Ukraine crisis, tight supplies of components and parts such as semiconductors, and sharp fluctuations in foreign currency exchange rates.

Under these circumstances, the Star Micronics Group reported sales of ¥39,252 million for the second quarter of the fiscal year under review, up 40.5% compared with the corresponding period of the previous fiscal year. The increase was largely due to an upswing in sales of machine tools. From a profit perspective, operating income climbed 117.5%, to ¥5,722 million due in large part to higher sales. Ordinary income increased 107.9%, to ¥5,971 million. Net income attributable to owners of parent grew 99.1%, to ¥4,209 million.

(Special Products)

In POS printers, sales increased. Despite the impact of such factors as significant decreases in production volumes caused by shortages in the supply of components and parts and disruptions to logistics, this increase in POS printer sales was largely due to market conditions, which remained favorable owing to continued brisk demand for mPOS printers in each market, coupled with the impact of the yen's depreciation. Looking at trends by geographic region, sales in the U.S. market increased substantially due in part to the impact of the yen's depreciation, although product shortages also had an effect. In the European and domestic markets, conditions were favorable, yet sales decreased due to shortages in the supply of products.

Accounting for these factors, sales increased 6.8% compared with the corresponding period of the previous fiscal year, to ¥7,961 million. Operating income increased 19.1% year on year, to ¥1,522 million.

(Machine Tools)

Sales of CNC automatic lathes jumped significantly amid brisk global demand for capital investment. By geographic region, sales were strong in a wide range of industries centered on the medical-related sector in the U.S. market. In the European market, sales were robust in mainly the automotive-related industries. Accordingly, sales rose significantly in each market. Sales in the Asian market grew substantially. Despite the temporary impact of lockdowns in China, this growth largely reflected continued high levels in mainly automotive-related industries. In the domestic market, sales increased significantly thanks to a recovery in sales in the mainstay automotive and other sectors.

Accounting for each of the aforementioned factors, sales and profits increased substantially. In specific terms, sales grew 52.8% compared with the corresponding period of the previous fiscal year, to ¥31,290 million. Operating income jumped 136.9%, to ¥5,143 million.

(2) Explanation of Financial Position

Amid foreign currency exchange rates affecting the consolidated balance sheet as a whole at the end of the second quarter of the fiscal year under review, assets stood at ¥93,296 million, an increase of ¥10,936 million compared with the end of the previous fiscal year. This was mainly due to the upswing in trade receivables and inventories. Total liabilities came to ¥24,832 million, an increase of ¥4,199 million compared with the previous fiscal year-end. This largely reflected the upturn in trade payables and other current liabilities. Total net assets increased ¥6,736 million compared with the end of the previous fiscal year, to ¥68,464 million. This was in large part due to the increase in retained earnings and foreign currency translation adjustments notwithstanding such factors as the purchase of treasury stock.

(3) Explanation of the Consolidated Earnings Projections and Other Forecasts

In light of results for the first half of the fiscal year under review, the Company has revised its full fiscal year earnings forecasts announced on February 9, 2022. Please refer to the disclosure "Notice Regarding Differences between Consolidated Forecasts and Actual Results for the 1st Half of FY2022 and Revision to Consolidated Forecasts for the Full FY2022" issued separately today (August 9, 2022) for details.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	27,575,626	28,499,335
Trade notes and accounts receivable	18,553,333	21,927,034
Securities	—	48,083
Merchandise and finished goods	9,558,322	11,350,963
Work in process	4,620,202	6,432,259
Raw materials and supplies	3,644,476	4,866,691
Other	1,891,617	2,100,695
Allowance for doubtful accounts	(136,868)	(134,273)
Total current assets	65,706,710	75,090,788
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,507,511	7,589,932
Machinery, equipment and vehicles, net	2,462,171	3,082,056
Tools, furniture and fixtures, net	1,073,662	1,389,482
Land	1,892,487	1,939,797
Lease assets, net	74,083	59,810
Construction in progress	175,143	260,998
Other, net	1,124,027	1,501,873
Total property, plant and equipment	14,309,087	15,823,952
Intangible assets		
Other	415,966	436,481
Total intangible assets	415,966	436,481
Investments and other assets		
Investment securities	946,639	1,101,403
Deferred tax assets	598,718	360,833
Other	383,435	483,511
Total investments and other assets	1,928,793	1,945,748
Total non-current assets	16,653,847	18,206,183
Total assets	82,360,558	93,296,971

(Unit: Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,151,499	9,213,683
Electronically recorded obligations-operating	3,816,185	4,300,521
Lease obligations	27,547	23,422
Income taxes payable	811,083	918,587
Contract liabilities	—	1,074,461
Provision for bonuses	1,100,165	1,382,438
Provision for directors' bonuses	—	42,000
Other	5,597,862	6,392,745
Total current liabilities	19,504,343	23,347,860
Non-current liabilities		
Lease obligations	53,697	42,434
Net defined benefit liability	130,198	56,197
Other	944,121	1,385,820
Total non-current liabilities	1,128,017	1,484,452
Total liabilities	20,632,360	24,832,313
Net assets		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	13,854,202	13,033,484
Retained earnings	41,814,173	44,890,373
Treasury stock	(7,066,934)	(8,006,989)
Total shareholders' equity	61,323,380	62,638,808
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,406	94,476
Foreign currency translation adjustments	(830,454)	4,545,466
Remeasurements of defined benefit plans	476,837	474,572
Total accumulated other comprehensive income	(269,210)	5,114,515
Stock acquisition rights	420,462	393,457
Noncontrolling interests	253,566	317,877
Total net assets	61,728,198	68,464,658
Total liabilities and net assets	82,360,558	93,296,971

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(Second six-month period)

(Unit: Thousands of yen)

	Second six-month period from January 1, 2021 to June 30, 2021, of FY2021	Second six-month period from January 1, 2022 to June 30, 2022, of FY2022
Net sales	27,930,620	39,252,758
Cost of sales	18,317,526	24,653,589
Gross profit	9,613,093	14,599,168
Selling, general and administrative expenses	6,982,570	8,876,499
Operating income	2,630,523	5,722,669
Non-operating income		
Interest income	84,820	68,995
Foreign exchange gain	21,647	143,749
Rent income	20,268	20,687
Miscellaneous income	155,942	64,540
Total non-operating income	282,678	297,972
Non-operating expenses		
Interest expense	8,214	16,416
Commission fee	10,213	—
Loss on valuation of investment securities	4,060	25,630
Miscellaneous loss	18,189	6,709
Total non-operating expenses	40,677	48,756
Ordinary income	2,872,524	5,971,884
Extraordinary income		
Gain on sales of non-current assets	2,296	3,894
Total extraordinary income	2,296	3,894
Extraordinary losses		
Loss on disposal of non-current assets	12,971	7,737
Total extraordinary losses	12,971	7,737
Income before income taxes	2,861,849	5,968,041
Income taxes-current	875,624	1,290,228
Income taxes-deferred	(147,087)	432,656
Total income taxes	728,536	1,722,884
Net income	2,133,312	4,245,157
Net income attributable to noncontrolling interests	18,962	35,627
Net income attributable to owners of the parent	2,114,350	4,209,529

(Quarterly Consolidated Statement of Comprehensive Income)
(Second six-month period)

(Unit: Thousands of yen)

	Second six-month period from January 1, 2021 to June 30, 2021, of FY2021	Second six-month period from January 1, 2022 to June 30, 2022, of FY2022
Net income	2,133,312	4,245,157
Other comprehensive income		
Valuation difference on available-for-sale securities	34,078	10,069
Foreign currency translation adjustments	1,714,937	5,120,538
Remeasurements of defined benefit plans	2,338	(2,265)
Share of other comprehensive income of entities	9,332	20,233
Total other comprehensive income	1,760,686	5,148,577
Comprehensive income	3,893,999	9,393,734
(Total comprehensive income attributable to:)		
Owners of parent	3,842,951	9,319,452
Noncontrolling interests	51,047	74,281

(3) Notes to Quarterly Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable

(Note on Significant Changes in Shareholders' Equity Accounts)

The Company retired 626,200 shares of treasury stock on February 4, 2022, in accordance with a resolution of the Board of Directors at a meeting held on December 8, 2021. Furthermore, the Company repurchased 1,000,000 shares of treasury stock, in accordance with a resolution of the Board of Directors at a meeting held on May 11, 2022.

As a result, capital surplus decreased ¥830,341 thousand and treasury stock increased ¥819,729 thousand during the second quarter of the fiscal year under review. This resulted in ¥13,033,484 thousand in capital surplus and ¥8,006,989 thousand in treasury stock as of the end of the second quarter of the current fiscal year.

(Changes in Accounting Policies)

(Application of "Accounting Standard for Revenue Recognition")

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. since the beginning of the first quarter of the fiscal year under review and recognizes revenue from goods or services to be provided at an amount expected to be received in exchange for those goods or services at the time when control over the promised goods or services is transferred to a customer. As a result, the Company now recognizes revenue at the time of acceptance inspection for certain sales, whereas it previously recognized revenue at the time of shipment, mainly in the Machine Tools Segment. In addition, consideration payable to a customer, such as sales commissions, had been previously accounted for as selling, general and administrative expenses, but is now accounted for as a net amount deducted from sales.

The Company applies the Revenue Recognition Accounting Standard in accordance with the transitional handling stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The Company adds or subtracts the amount of the cumulative effect on retained earnings from the beginning of the first quarter or from retained earnings in cases where the new accounting policies are applied retroactively to periods before the beginning of the first quarter. However, the Company applied the procedure provided for in Paragraph 86 of the Revenue Recognition Accounting Standards and did not retroactively apply the new accounting policy to contracts under which almost all revenue had been recognized before the beginning of the first quarter in accordance with the procedure before the application of the new accounting policy.

As a result, net sales decreased ¥35,694 thousand, cost of sales increased ¥311,867 thousand, and selling, general and administrative expenses decreased ¥60,064 thousand. Operating income, ordinary income, and income before income taxes decreased ¥287,497 thousand each in the second quarter of the fiscal year under review.

The balance of retained earnings at the beginning of the fiscal year under review decreased by ¥10,329 thousand.

Due to the application of the Accounting Standard for Revenue Recognition, "advances received," which had been included in "Other" under "Current liabilities" is included in "Contract liabilities" from the first quarter of fiscal 2022. In accordance with the transitional handling stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification via new indication methods will be carried out for the previous fiscal year using the new presentation. Moreover, in accordance with the transitional handling stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information that breaks down revenues arising in relation to contracts with customers for the second quarter of the previous fiscal year is not stated.

(Application of "Accounting Standard for Fair Value Measurement")

The Company began applying the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") and related measures at the beginning of the first quarter of the fiscal year under review. Accordingly, the Company will apply the new accounting policies stipulated in the Fair Value Measurement Accounting Standard and related measures in the future in accordance with the transitional handling stipulated in Section 19 of the same standard and Section 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019).

Application of this standard has no impact on quarterly consolidated financial statements.

(Application of ASC No. 842 "Leases")

Effective from the first quarter of the fiscal year under review, the Company has adopted ASC No. 842, "Leases" with regard to overseas consolidated subsidiaries. Regarding the application of the applicable accounting standard, the cumulative effect of adopting the standard, which is permitted as a transitional measure, is recognized as of the date of adoption.

The adoption of the applicable accounting standard has an insignificant impact on the consolidated financial statements.