

# Financial Results for the Fiscal Year 2017 Second Quarter

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STAR MICRONICS CO., LTD.

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

Code 7718

September 29, 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 2017 Second Quarter	P2	■ Capital Investment / R&D Costs	P 8
■ Financial Data	P3	■ Balance Sheets	P 9
■ Quarterly Information (Net Sales and Operating Income)	P4	■ Cash Flows	P10
■ Segment Overview		■ Key Financial Indicators	P11
▪ Special Products	P5	■ Shareholder Returns	P12
▪ Machine Tools	P6	■ Performance Indicators (10-Year Data)	P13
▪ Precision Products	P7	■ Reference: Business Segments and Products	P14

## Year-on-year decrease in revenue; substantial decline in income.

■ Net Sales	: ¥22.97 billion	15.4% down YoY
■ Operating Income	: ¥1.80 billion	36.7% down YoY
■ Ordinary Income	: ¥1.48 billion	40.0% down YoY
■ Net Income Attributable to Owners of Parent	: ¥1.06 billion	42.9% down YoY

- ✓ **In addition to the downturn in Machine Tools and Precision Product sales, decrease in sales also reflected the impact of the yen's appreciation. Operating Income decreased substantially.**
- ✓ **Ordinary Income impacted by the incidence of a foreign exchange loss recorded as a non-operating expense.**

# Financial Data



(Millions of Yen)

	Second Quarter					Full-Year				
	2Q for FY2/15 Actual		2Q for FY2/16 Actual			FY2/16 Actual		FY2/17 Forecast		
	Amount	Income Ratio (%)	Amount	Income Ratio (%)	YoY Change (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	YoY Change (%)
<b>Sales</b>										
Special Products	5,396		5,613		4.0	11,381		11,300		(0.7)
Machine Tools	19,238		15,186		(21.1)	38,150		29,000		(24.0)
Precision Products	2,538		2,179		(14.1)	4,926		4,100		(16.8)
Cloud Services*1	-		-		-	-		-		-
<b>Total</b>	27,173		22,979		(15.4)	54,457		44,400		(18.5)
<b>Operating Income</b>										
Special Products	724	13.4	946	16.9	30.6	1,744	15.3	1,830	16.2	4.9
Machine Tools	2,976	15.5	1,996	13.1	(32.9)	5,843	15.3	3,660	12.6	(37.4)
Precision Products	359	14.2	163	7.5	(54.7)	593	12.0	280	6.8	(52.8)
Cloud Services*1	(86)	-	(144)	-	-	(202)	-	(330)	-	-
Eliminations or Corporate	(1,120)		(1,154)			(2,243)		(2,140)		
<b>Total</b>	2,853	10.5	1,806	7.9	(36.7)	5,735	10.5	3,300	7.4	(42.5)
<b>Ordinary Income</b>	2,471	9.1	1,483	6.5	(40.0)	5,206	9.6	3,100	7.0	(40.5)
<b>Net Income Attributable to Owners of Parent</b>	1,856	6.8	1,060	4.6	(42.9)	3,720	6.8	2,800	6.3	(24.7)

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

<b>ROE (%)</b> *2	-	-	7.4	6.3
<b>Cash Dividends Applicable to the Year</b>	¥23	¥24	¥46	¥48
<b>DOE (%)</b> *3	-	-	3.9	4.3

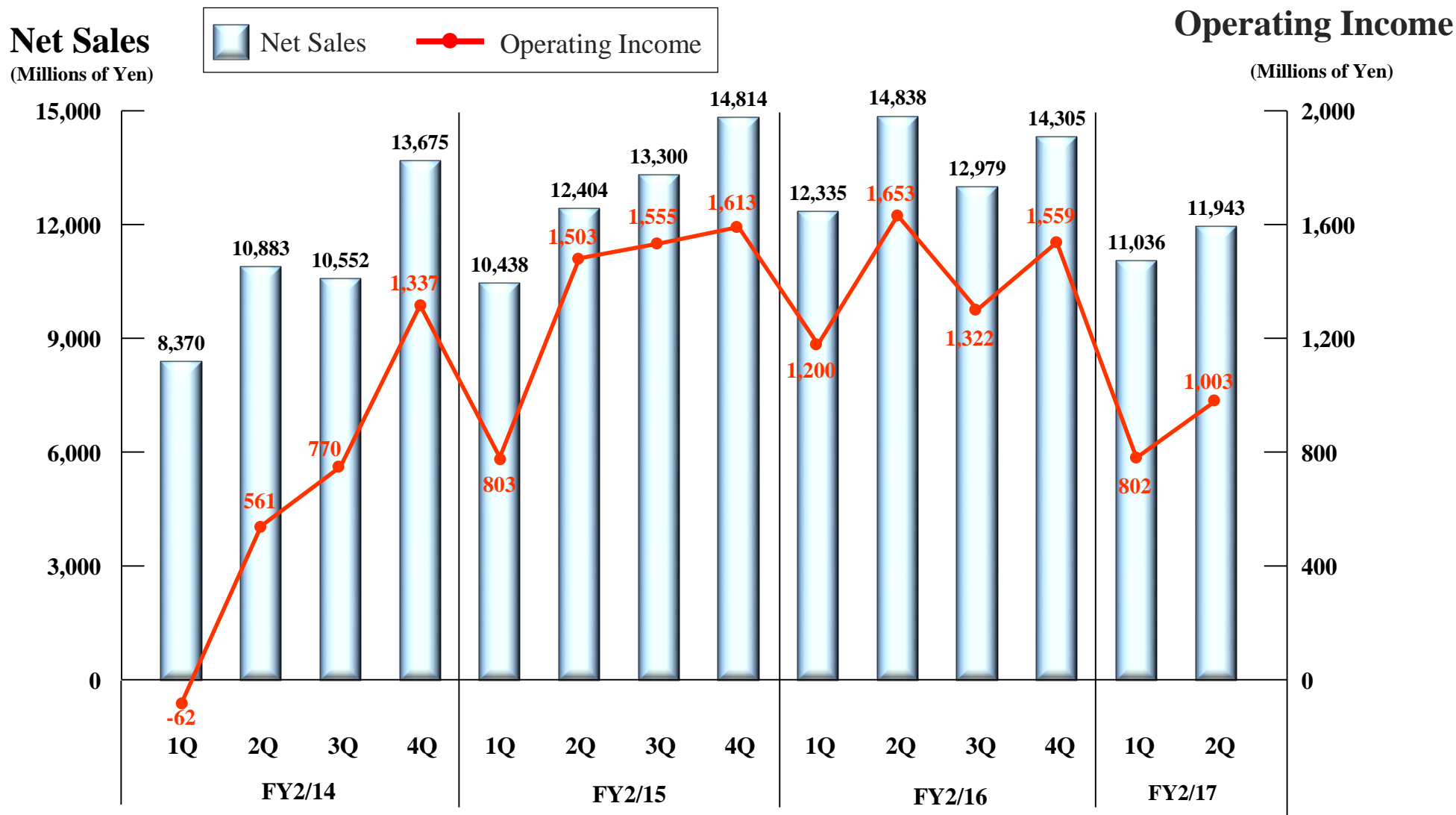
\*2. ROE(Return on Equity) =Net Income Attributable to Owners of Parent/Shareholders' Equity (average for the beginning and end of the period)x 100(%)

\*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(%)

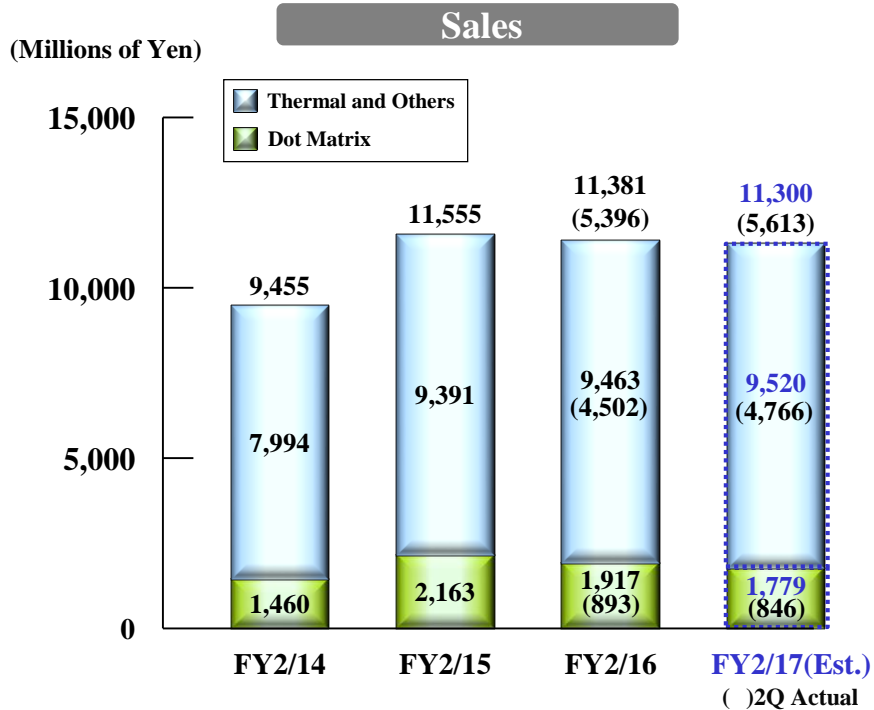
Exchange Rate					Full-Year	2nd Half	
					Assumed Exchange Rate	Assumed Exchange Rate	Foreign Exchange Sensitivity*4
Exchange Rate	US\$	¥120.24	¥111.85	¥121.05	¥105.93	¥100.00	¥15 million
	EUR	¥134.17	¥124.68	¥134.32	¥117.34	¥110.00	¥21 million
	GBP	¥183.30	¥160.31	¥185.12	¥145.16	¥130.00	¥2 million
	CHF	¥127.21	¥113.74	¥125.97	¥106.87	¥100.00	¥8 million

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

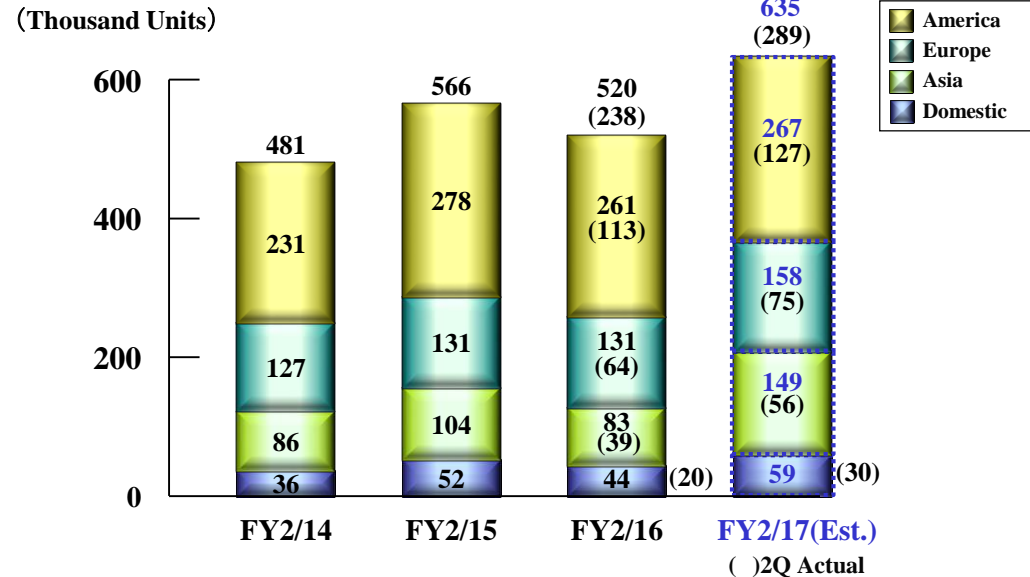
# Quarterly Information (Net Sales and Operating Income)



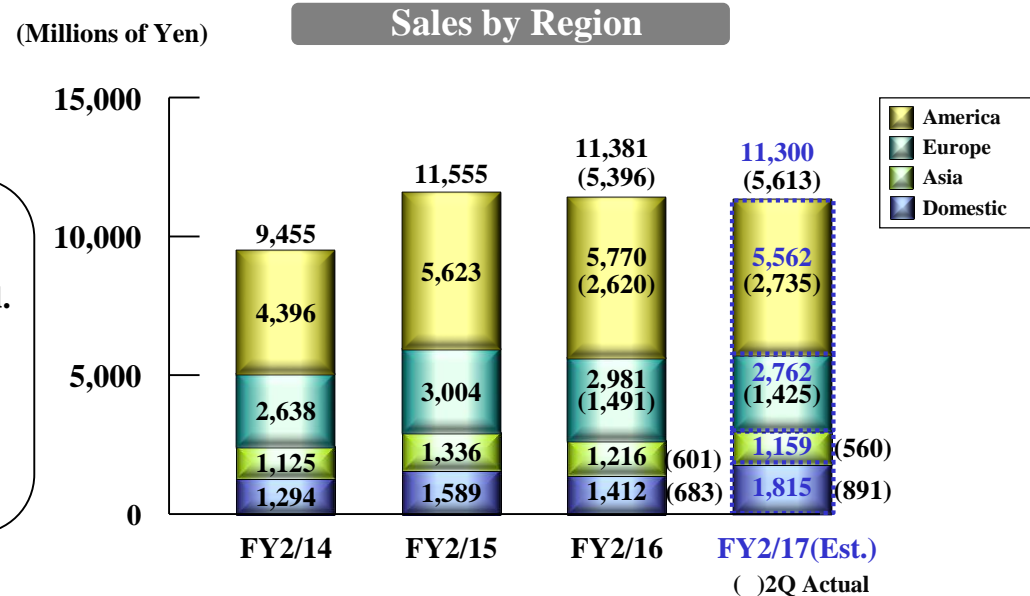
# Special Products

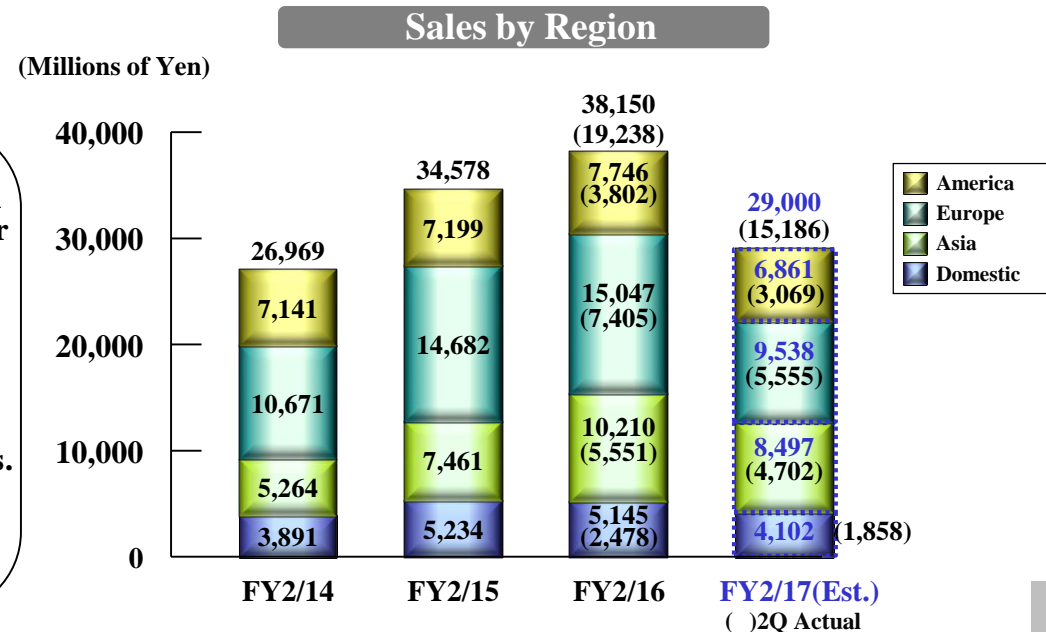
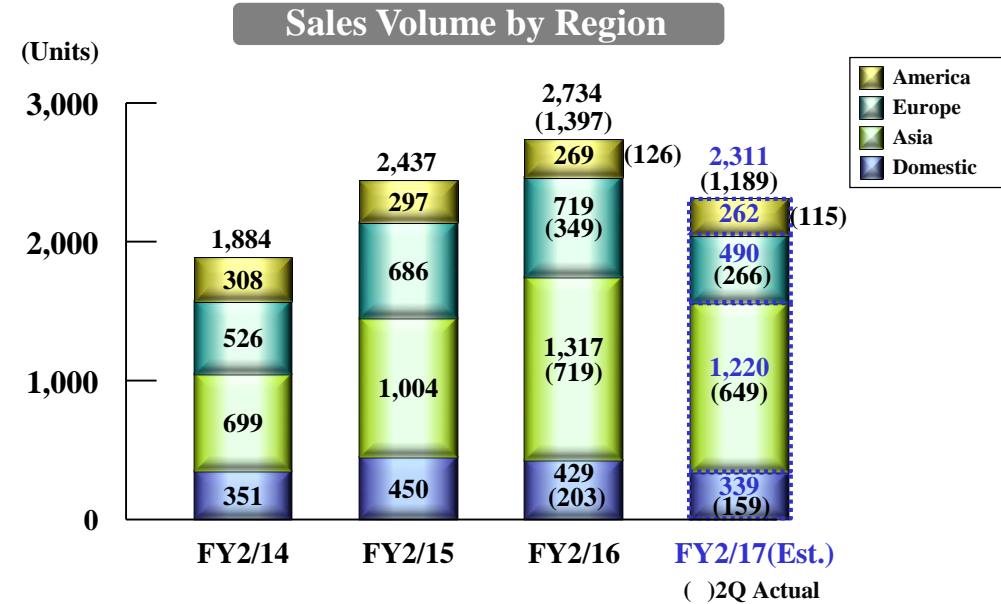
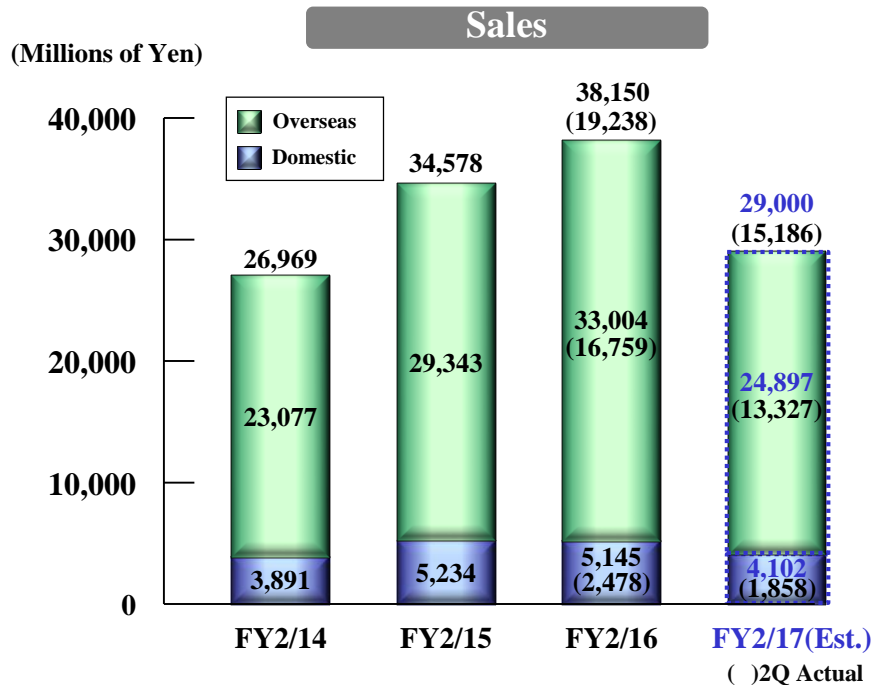


### Sales Volume by Region



- The U.S. market was negatively impacted by appreciation in the value of the yen. Sales, on the other hand, increased as a round of inventory adjustments by sales agents came to an end.
- Conditions in Europe trended toward a recovery and the markets in Asia were generally firm. In contrast, sales declined due to the affects of the strong yen.
- Sales in Japan increased on the back of robust mPOS related sales.

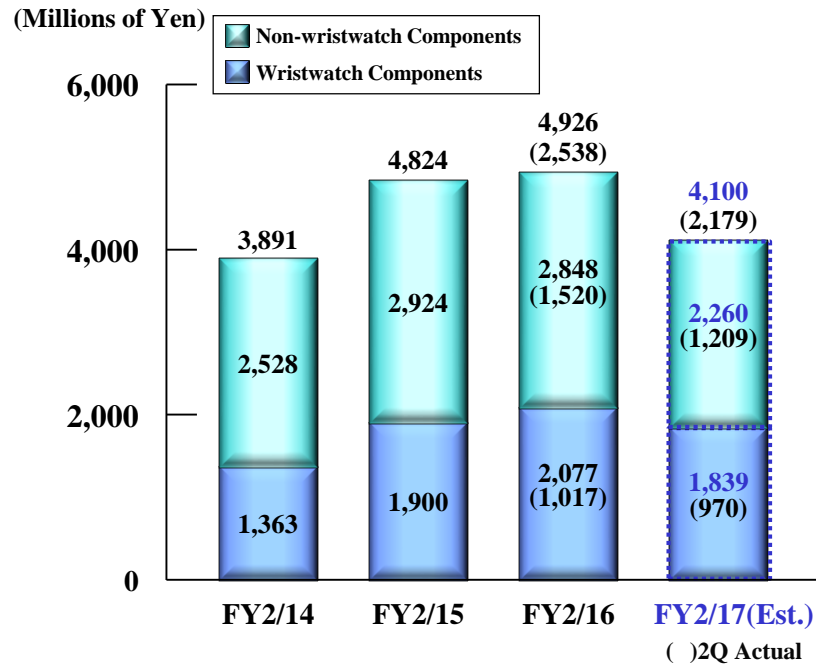




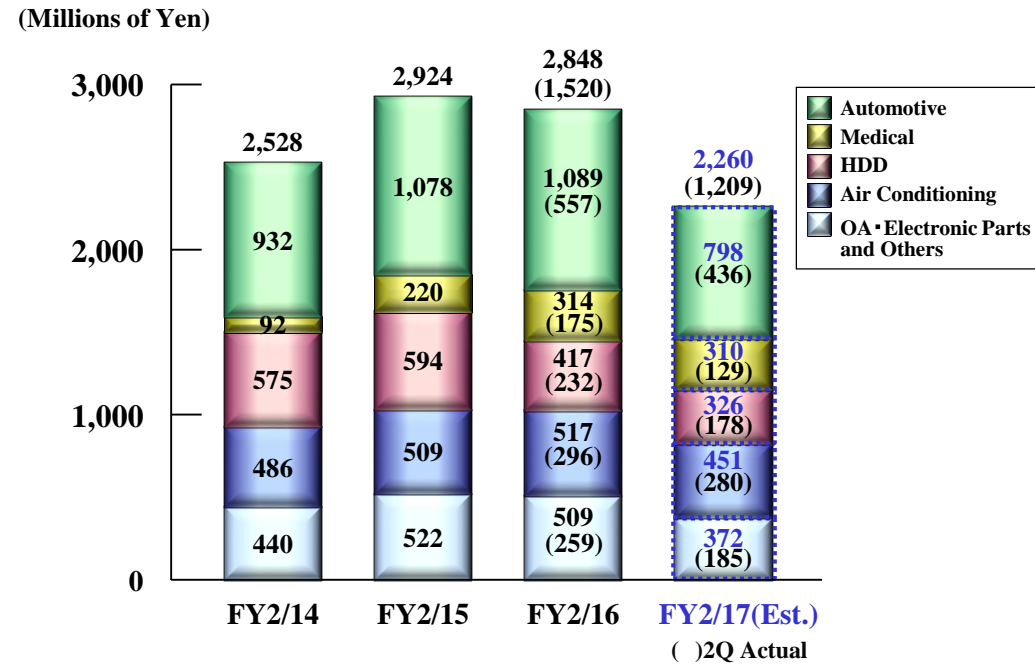
- Amid the impact of the strong yen on results mainly in Europe and the U.S., trends in the mainstay medical equipment-related sector in the U.S. were firm. However, sales declined as results stalled in other sectors.
- Sales in Europe declined substantially in the period under review. This was largely due to 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.
- Sales declined substantially in Japan. This largely reflected the cautious approach adopted by the market toward capital expenditures.



### Sales



### Sales of Non-wristwatch Components



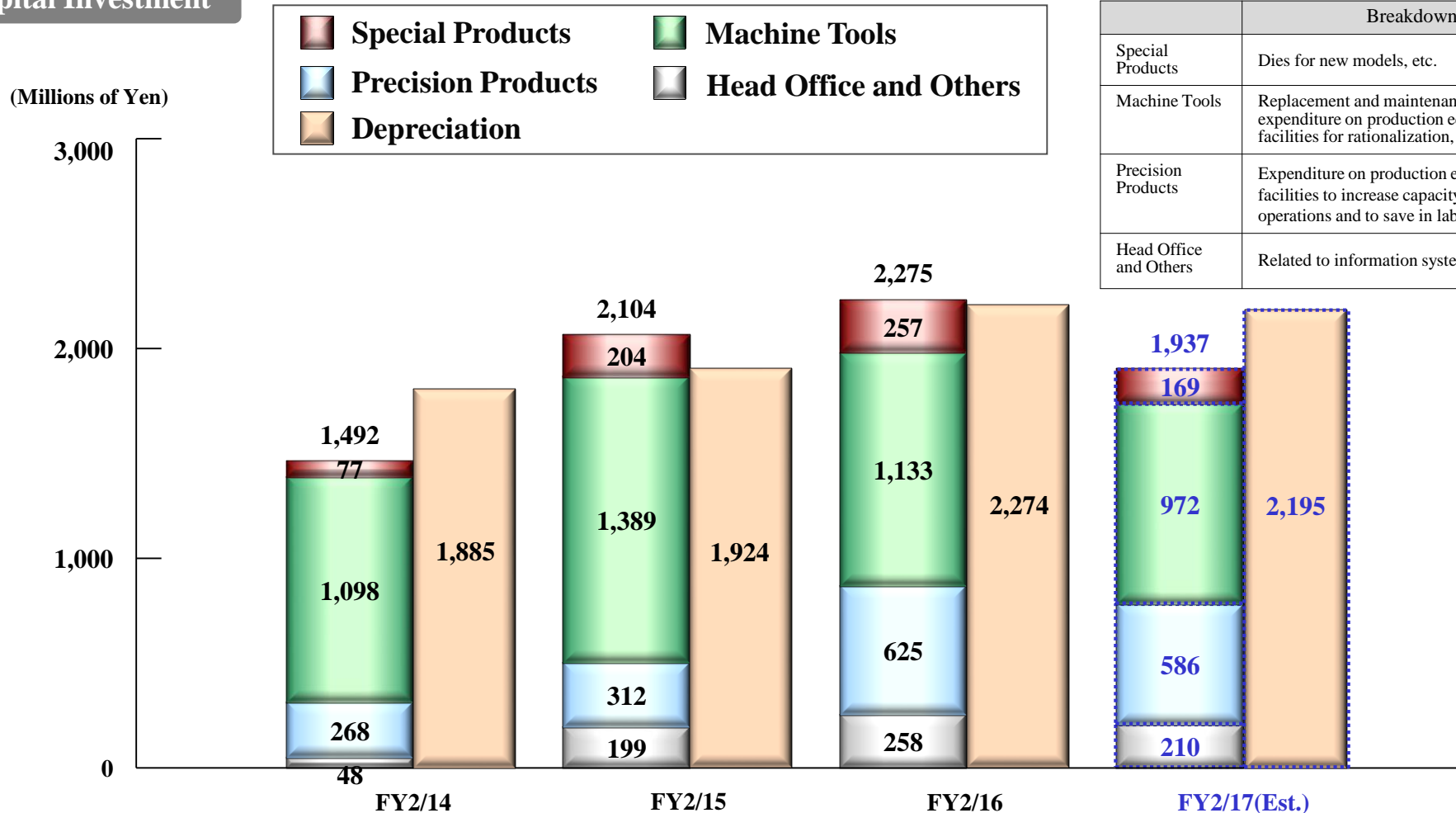
- Sales of wristwatch components declined. This was mainly due to the impact of production adjustments by wristwatch manufacturers.
- Sales of non-wristwatch components dropped substantially. This largely reflected the downturn in automotive components as well as the drop in demand for components for hard disk drives.



# Capital Investment / R&D Costs



## Capital Investment



【Main Capital Investment Track Record and Plans】

	Breakdown
Special Products	Dies for new models, etc.
Machine Tools	Replacement and maintenance, expenditure on production equipment and facilities for rationalization, etc.
Precision Products	Expenditure on production equipment and facilities to increase capacity, to streamline operations and to save in labor, etc.
Head Office and Others	Related to information systems, etc.

## R&D Costs

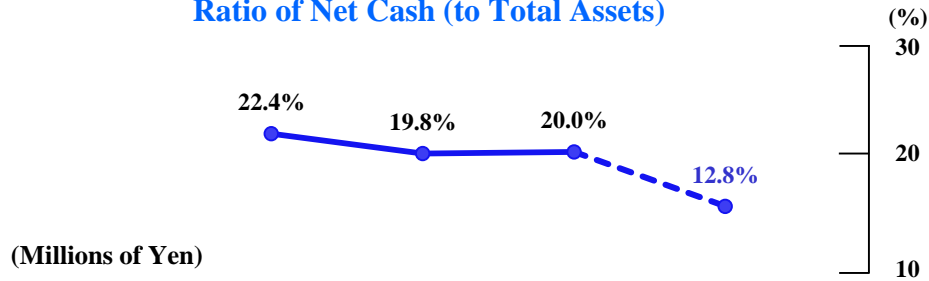
	FY2/14	FY2/15	FY2/16	FY2/17(Est.)
R&D costs	1,946	1,947	2,005	2,034

# Balance Sheets

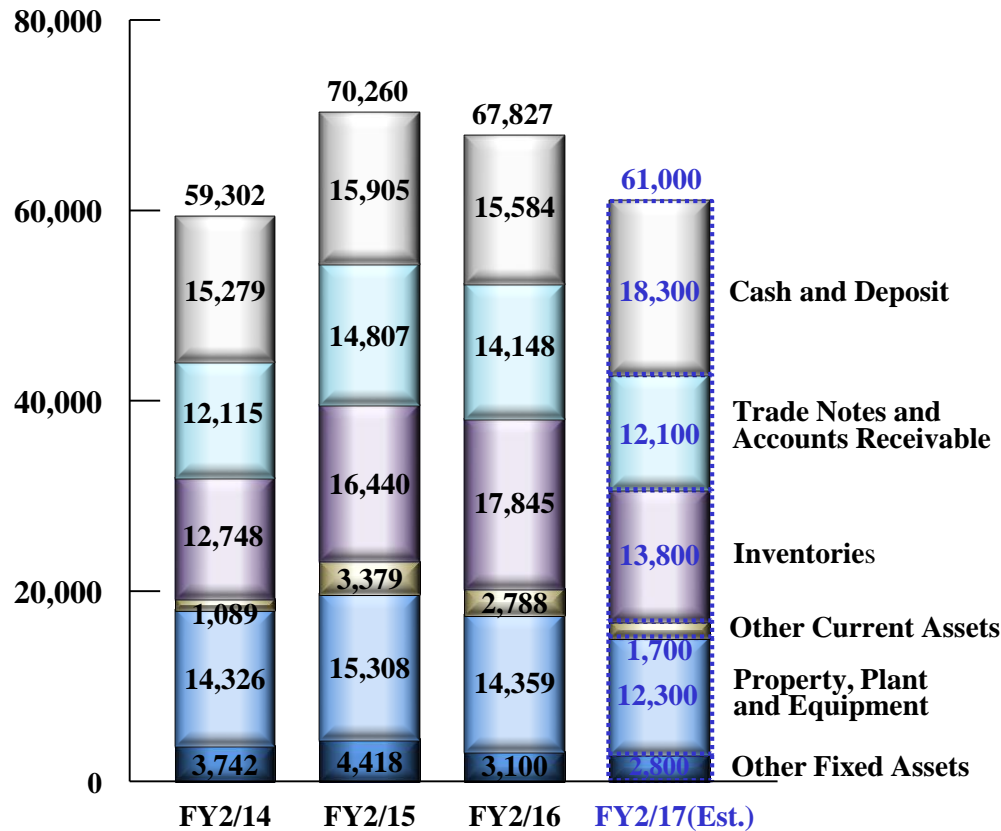


## Assets

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

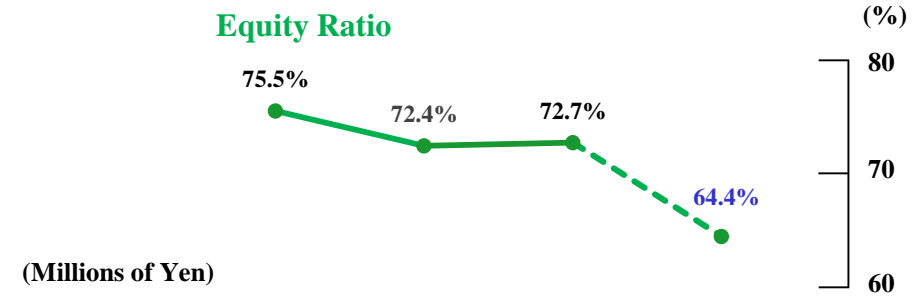


(Millions of Yen)

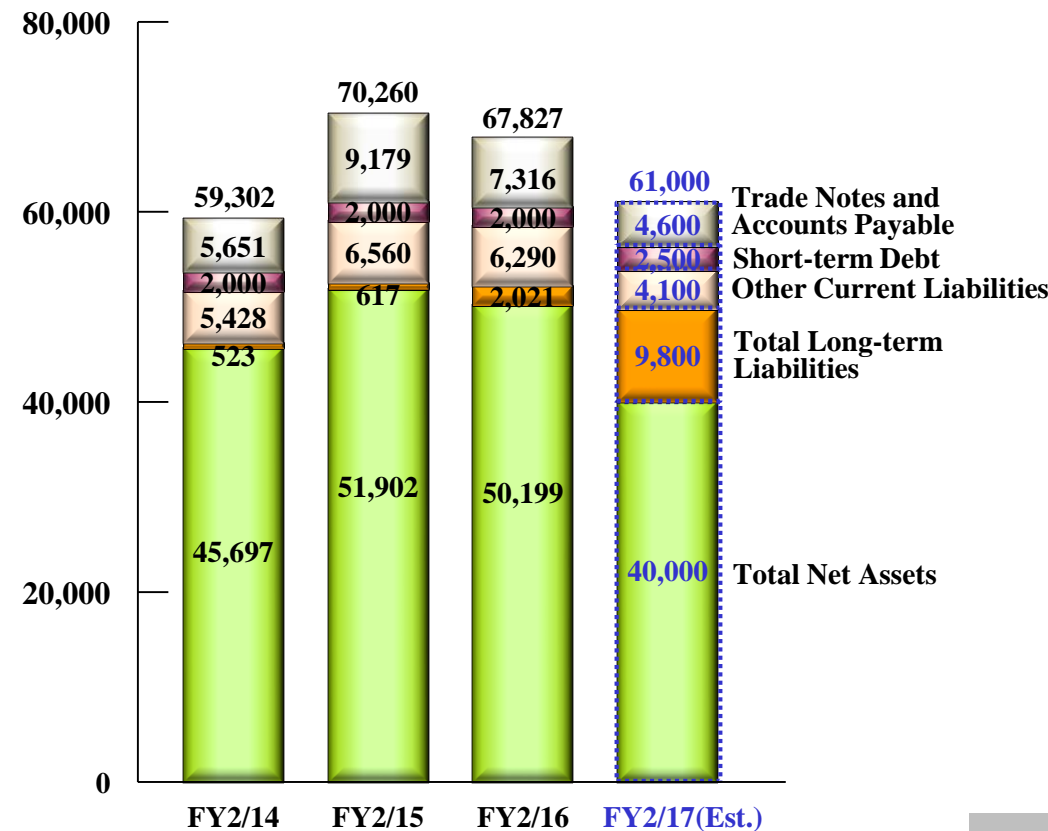


## Liabilities/Net assets

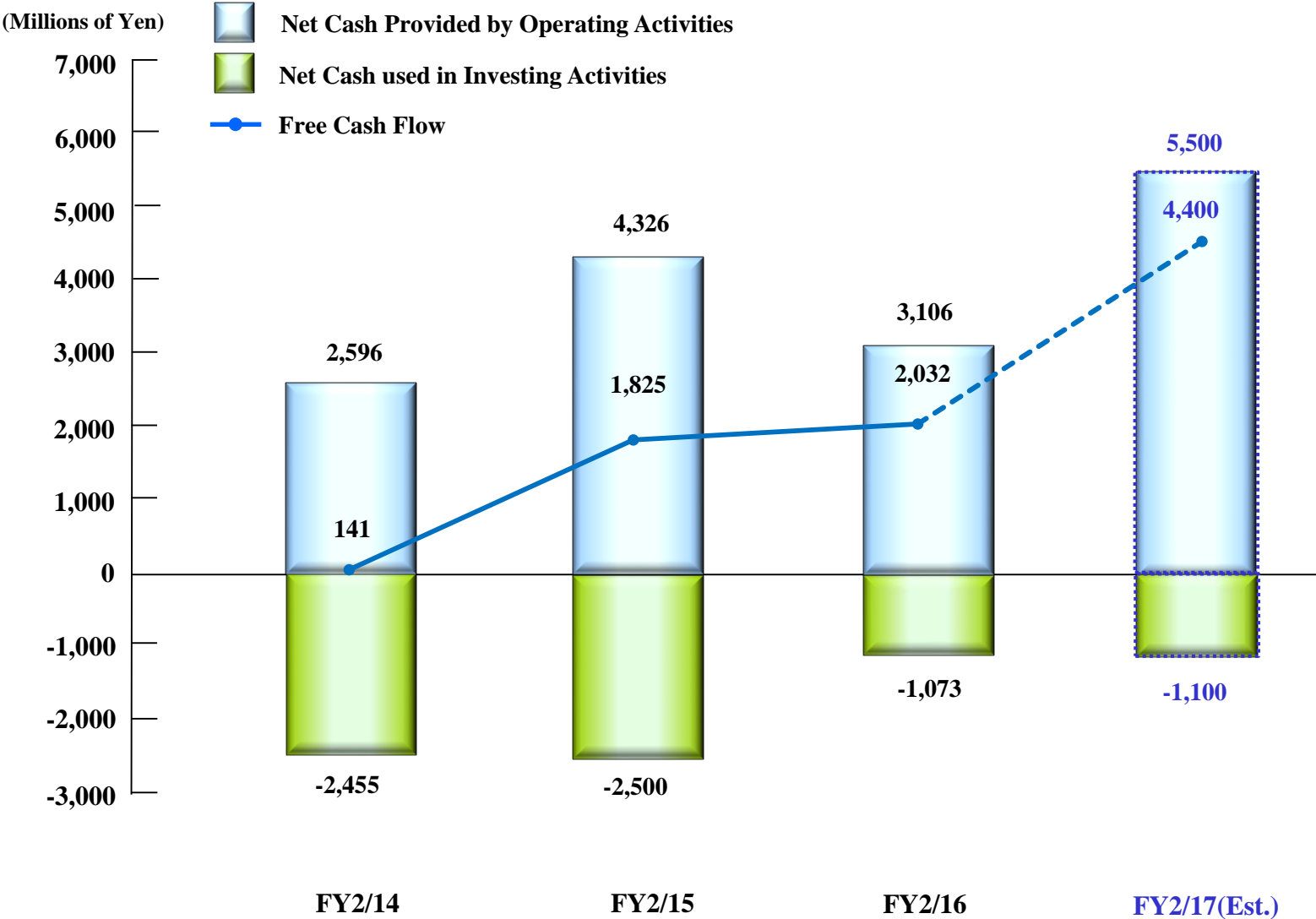
### Equity Ratio



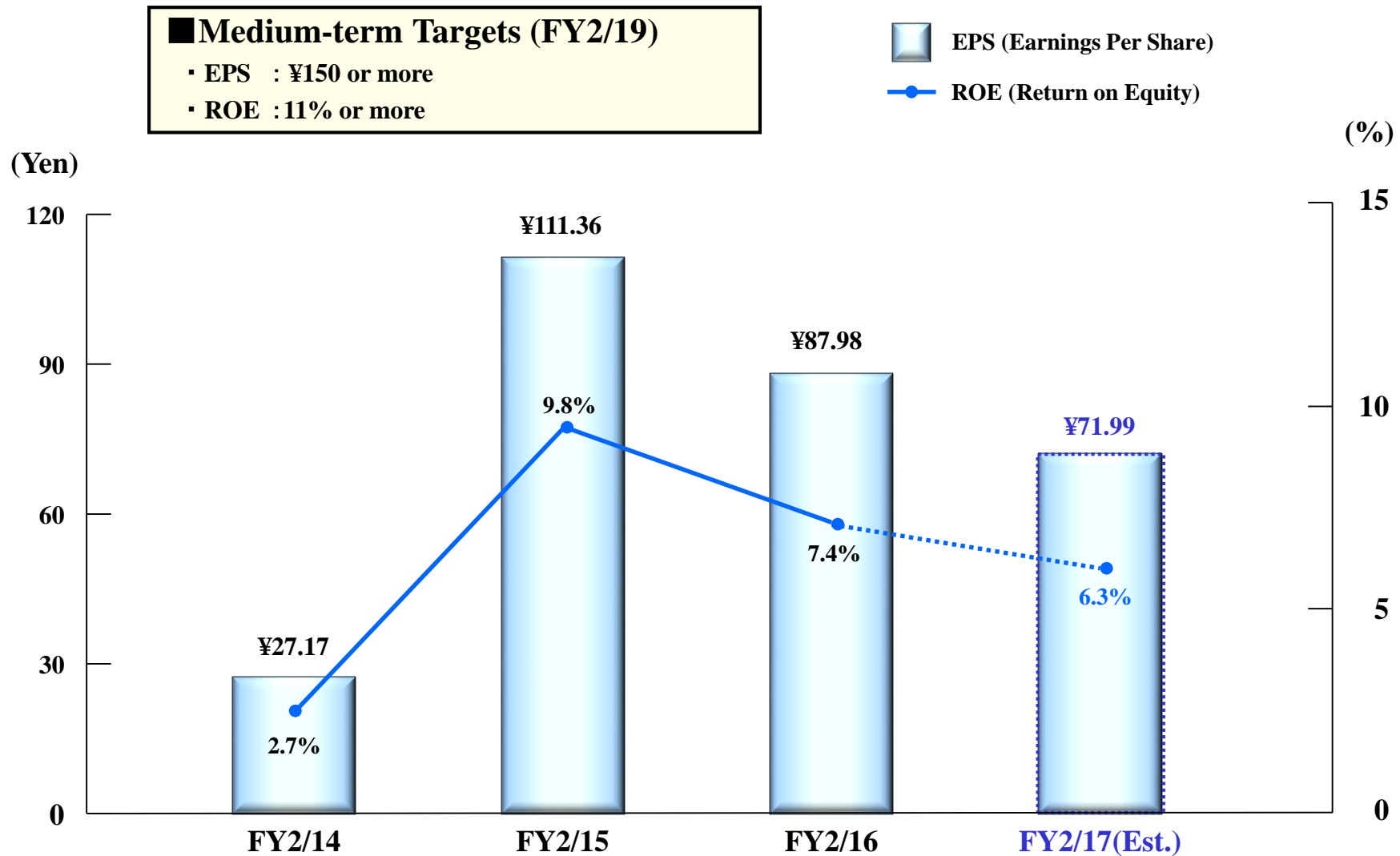
(Millions of Yen)



# Cash Flows



# Key Financial Indicators

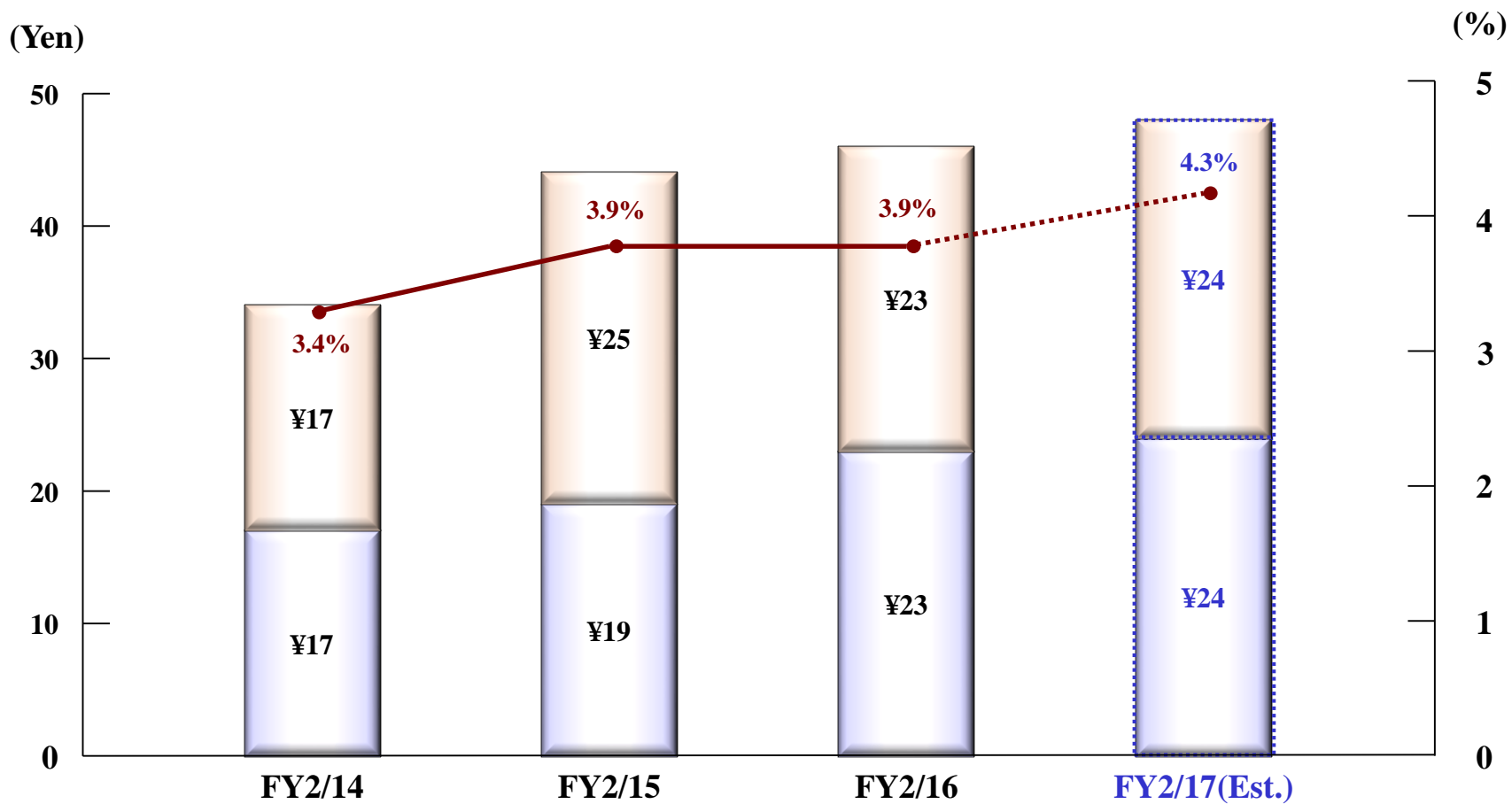


# Shareholder Returns



▪ Official Dividend Payout Ratio : 40% or more  
 ▪ Target DOE : 4.5% or more

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



Cash Dividends Applicable to the Year	¥34	¥44	¥46	¥48
Dividend Payout Ratio	125.1%	39.5%	52.3%	66.7%

# 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)
FY2/07	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.)	44,400	3,300	7.4	3,100	7.0	2,800	6.3	71.99	6.3	4.3	48.0

## 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)