

# Financial Results for the Fiscal Year 2018 Second Quarter

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STAR MICRONICS CO., LTD.

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

Code 7718

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\* 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.

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## Year-on-year sales and profits increased substantially

■ Net Sales	¥28.10 billion	22.3%	up YoY
■ Operating Income	¥2.29 billion	26.8%	up YoY
■ Ordinary Income	¥2.60 billion	76.0%	up YoY
■ Net Income Attributable to Owners of Parent	¥1.68 billion	58.4%	up YoY

- ✓ **Sales and profits increased substantially. This was led mainly by growth in the Machine Tools Segment.**
- ✓ **Extraordinary losses came to ¥286 million. This is attributable to decline in profitability at a manufacturing subsidiary in Thailand in the Precision Products Segment.**

# Financial Data



(Millions of Yen)

	Second Quarter					Full-Year				
	2Q for FY2/17 Actual		2Q for FY2/18 Actual			FY2/17 Actual		FY2/18 Forecast		
	Amount	Income Ratio (%)	Amount	Income Ratio (%)	YoY Change (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	YoY Change (%)
<b>Net Sales</b>										
Special Products	5,613		5,875		4.7	11,081		11,720		5.8
Machine Tools	15,186		20,133		32.6	33,629		40,530		20.5
Precision Products	2,179		2,097		(3.8)	4,226		4,250		0.6
Cloud Services*1	-		-		-	-		-		-
<b>Total</b>	<b>22,979</b>		<b>28,105</b>		<b>22.3</b>	<b>48,937</b>		<b>56,500</b>		<b>15.5</b>
<b>Operating Income</b>										
Special Products	946	16.9	784	13.3	(17.1)	1,703	15.4	1,540	13.1	(9.6)
Machine Tools	1,996	13.1	2,851	14.2	42.8	4,372	13.0	6,020	14.9	37.7
Precision Products	163	7.5	163	7.8	0.4	284	6.7	290	6.8	1.8
Cloud Services*1	(144)	-	(143)	-	-	(357)	-	(220)	-	-
Eliminations or Corporate	(1,154)		(1,363)			(2,396)		(2,530)		
<b>Total</b>	<b>1,806</b>	<b>7.9</b>	<b>2,291</b>	<b>8.2</b>	<b>26.8</b>	<b>3,606</b>	<b>7.4</b>	<b>5,100</b>	<b>9.0</b>	<b>41.4</b>
<b>Ordinary Income</b>	<b>1,483</b>	<b>6.5</b>	<b>2,609</b>	<b>9.3</b>	<b>76.0</b>	<b>3,583</b>	<b>7.3</b>	<b>5,500</b>	<b>9.7</b>	<b>53.5</b>
<b>Net Income Attributable to Owners of Parent</b>	<b>1,060</b>	<b>4.6</b>	<b>1,680</b>	<b>6.0</b>	<b>58.4</b>	<b>3,181</b>	<b>6.5</b>	<b>4,100</b>	<b>7.3</b>	<b>28.9</b>

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

<b>ROE (%)</b> *2	-	-	6.9	9.5
<b>Cash Dividends Applicable to the Year</b>	¥24	¥25	¥48	¥50
<b>DOE (%)</b> *3	-	-	4.1	4.3

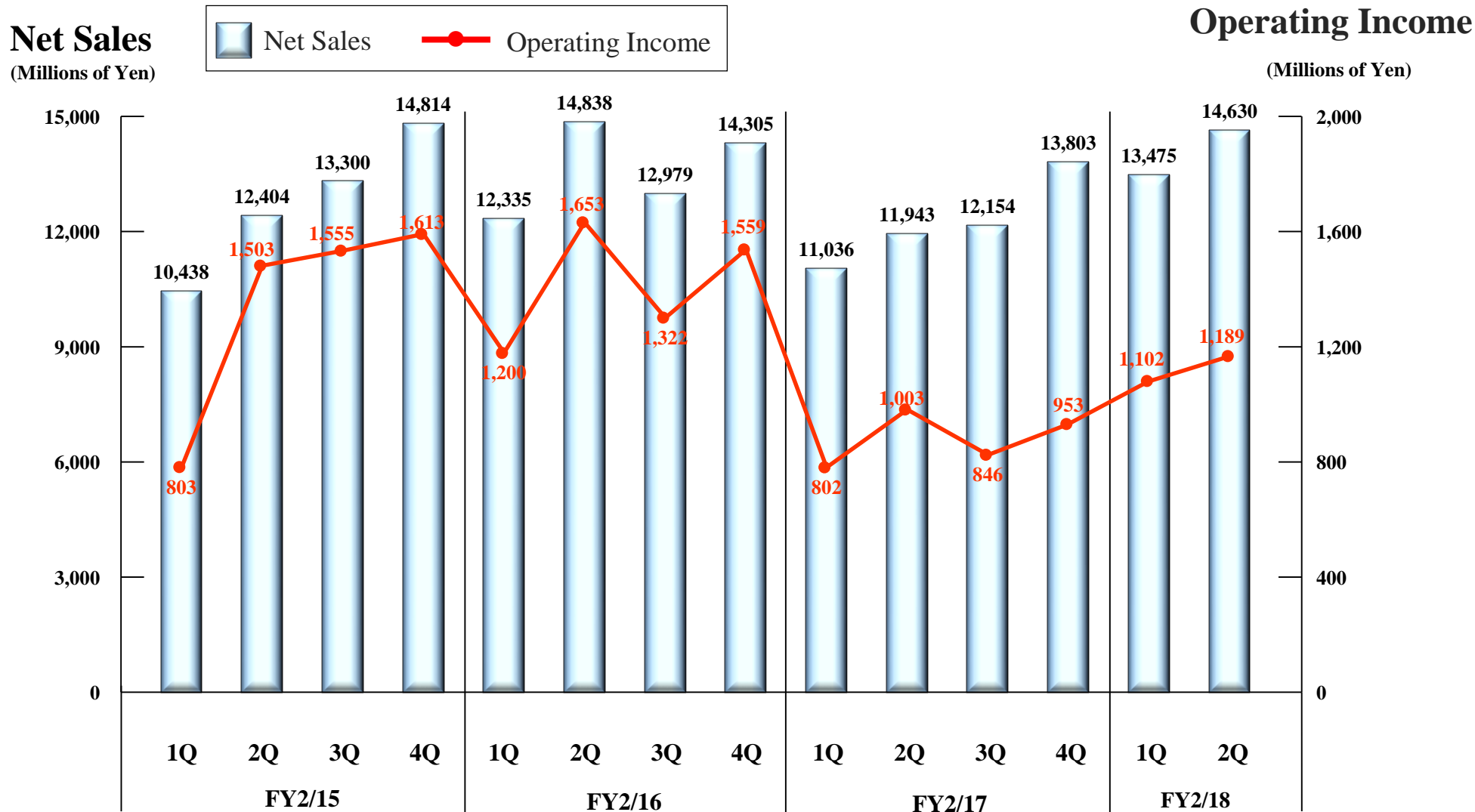
\*2. ROE(Return on Equity) =Net Income Attributable to Owners of Parent/Shareholders' Equity (average for the beginning and end of the period)x 100(%)

\*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(%)

					Full-Year	2nd Half	
					Assumed Exchange Rate	Assumed Exchange Rate	Foreign Exchange Sensitivity*4
<b>Exchange Rate</b>	<b>US\$</b>	¥111.85	¥112.37	¥108.87	¥111.19	¥110.00	¥12 million
	<b>EUR</b>	¥124.68	¥121.63	¥120.36	¥120.82	¥120.00	¥24 million
	<b>GBP</b>	¥160.31	¥141.40	¥147.79	¥140.70	¥140.00	¥4 million
	<b>CHF</b>	¥113.74	¥112.98	¥110.41	¥111.49	¥110.00	¥12 million

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

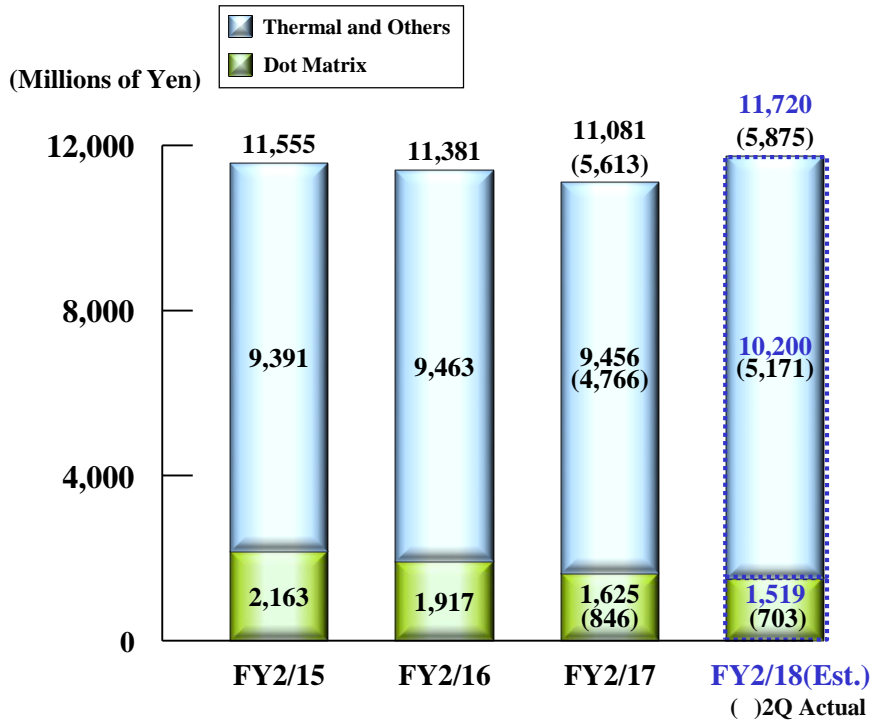
# Quarterly Information (Net Sales and Operating Income)



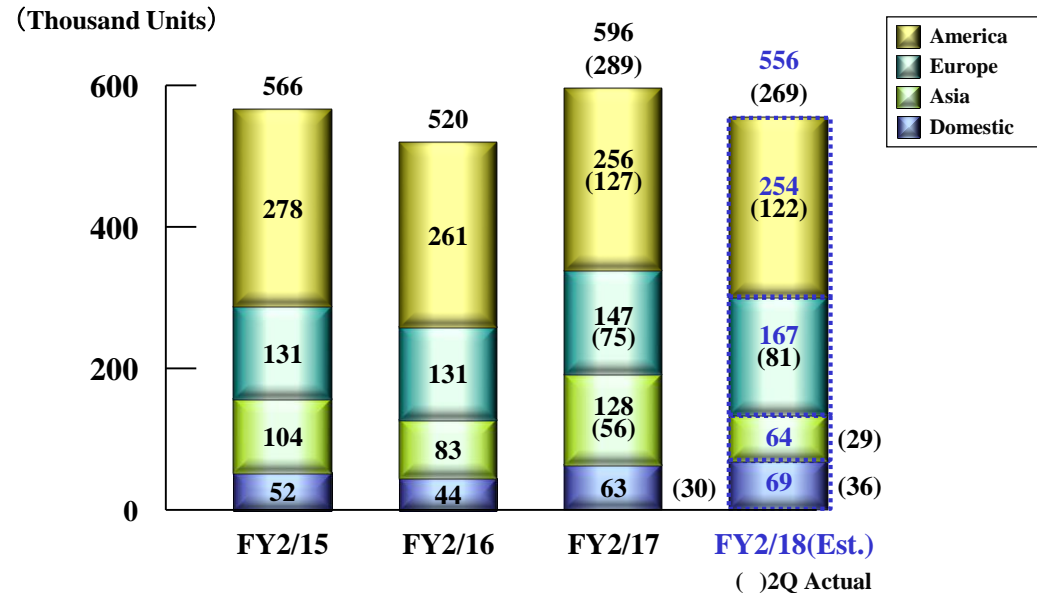
# Special Products



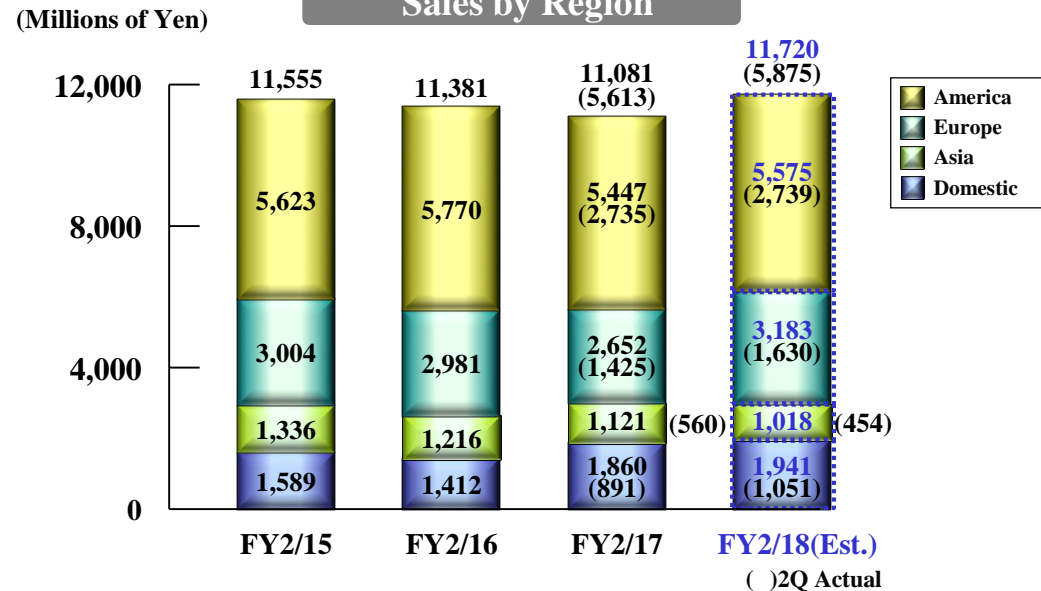
## Sales



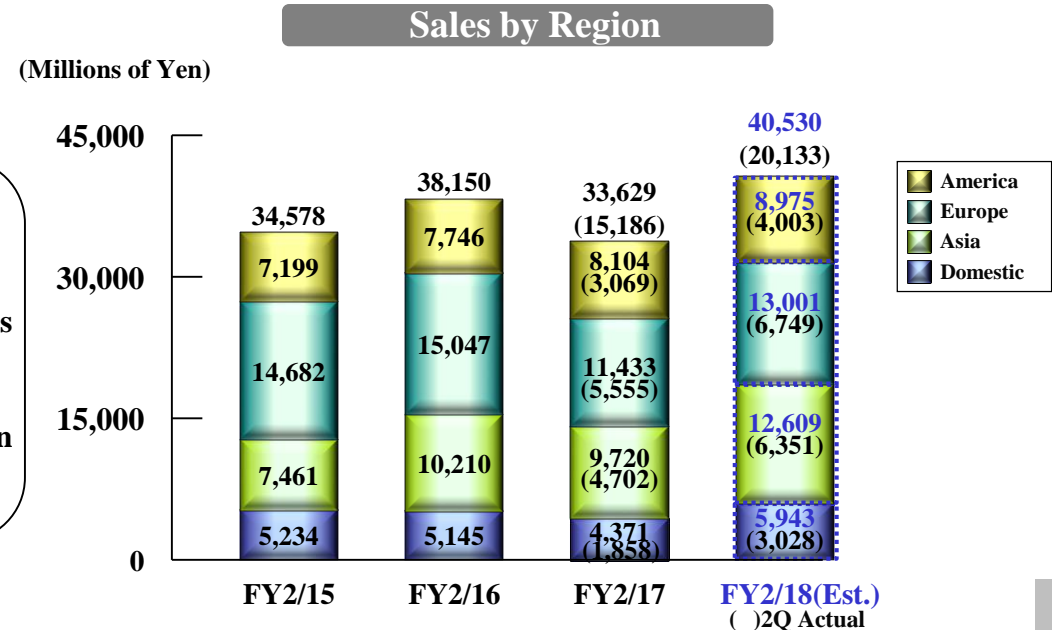
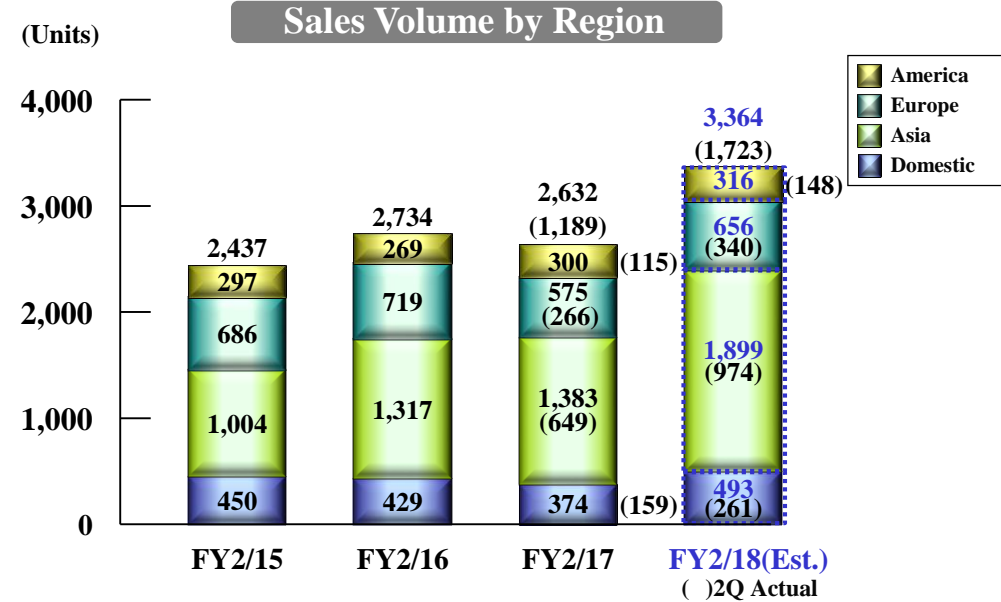
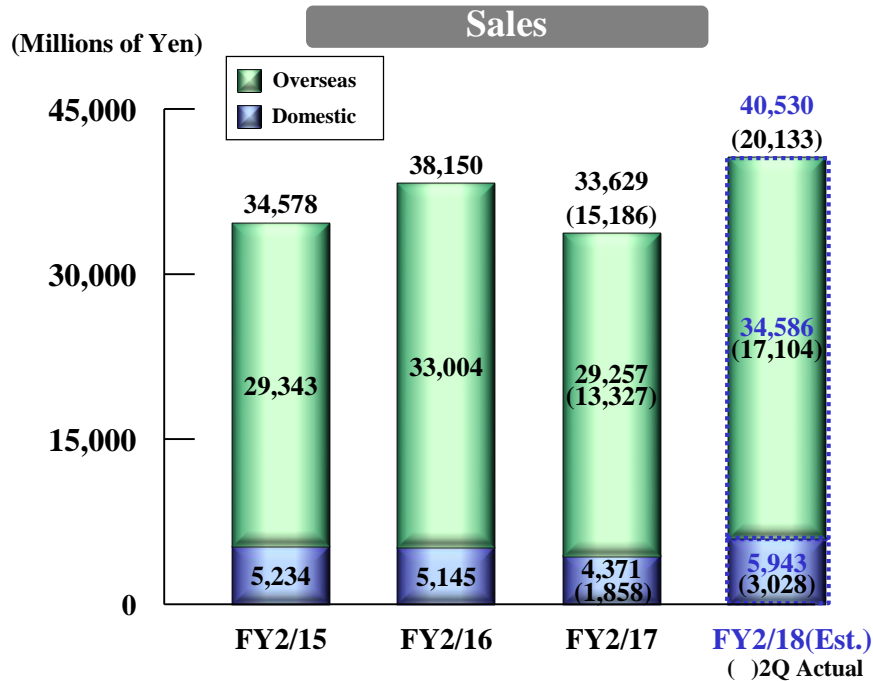
## Sales Volume by Region



## Sales by Region



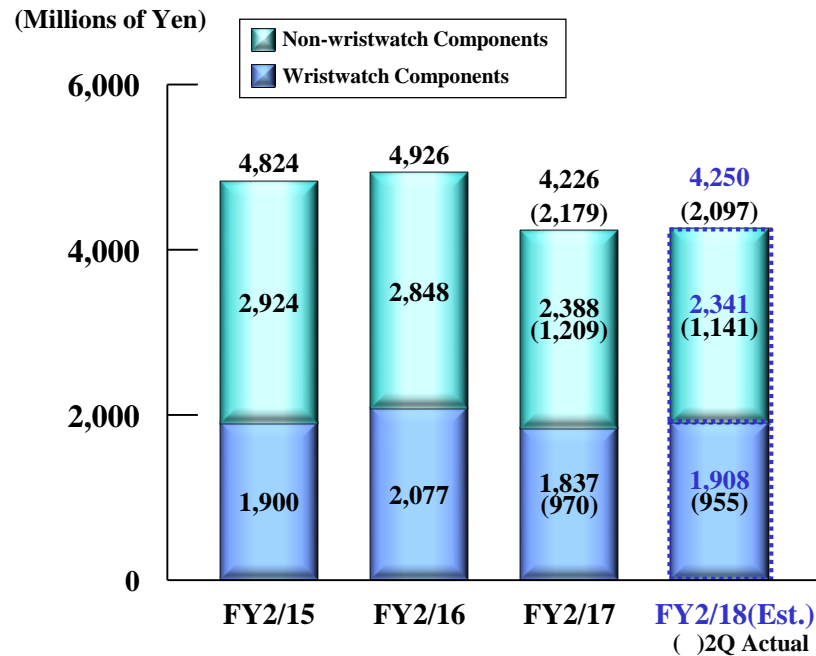
- Sales in the U.S. market were held to roughly the same level as the corresponding period of the previous fiscal year due to the impact of inventory adjustments by sales agents.
- Sales in the European market increased despite the effect of the strong yen. This was mainly attributable to the recovery trend in market conditions mainly in developed countries.
- Sales in the Asian market declined due to downturn in sales of dot impact printer in China.
- Sales in Japanese market increased on the back of robust mPOS-related sales



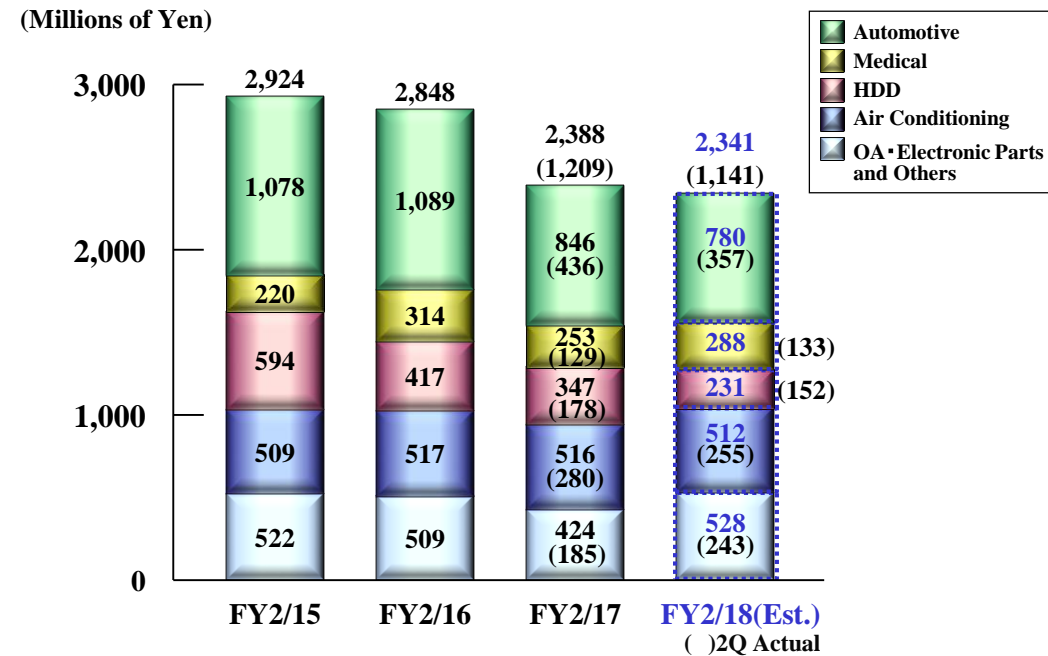
- Sales in the U.S. market increased substantially mainly in the medical equipment-related sector.
- Despite the impact of the strong yen, sales grew substantially in the European market. This growth largely reflected capital expenditures mainly in automotive-related sector.
- Sales increased substantially in the Asian market, mainly in China, and Japanese market. This was largely attributable to strong sales in the automotive-related sector.



## Sales



## Sales of Non-wristwatch Components



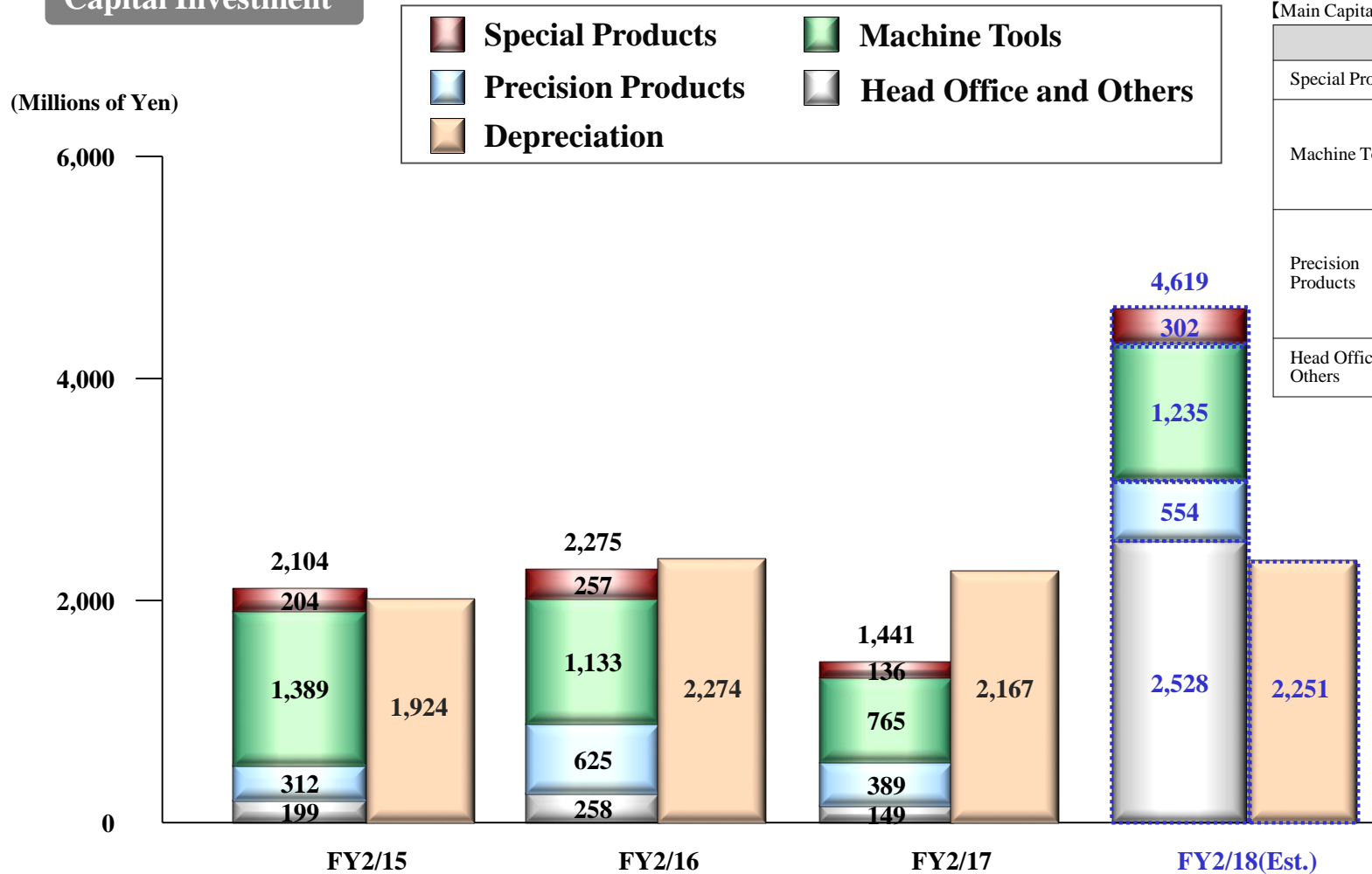
- Sales of wristwatch components declined owing to the ongoing impact of production adjustments by wristwatch manufacturers.
- Sales of non-wristwatch declined. Despite robust sales trends in medical-related components, this result was largely attributable to the decline in automotive and HDD components.



# 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 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.

## R&D Costs

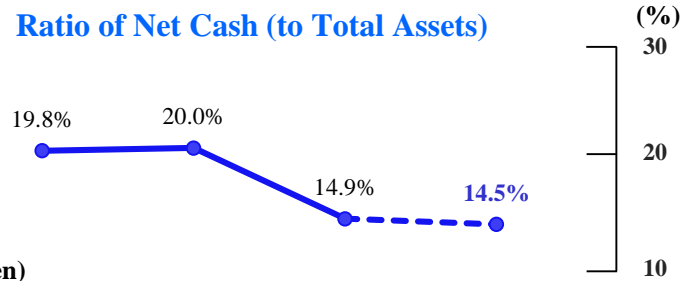
	FY2/15	FY2/16	FY2/17	FY2/18(Est.)
R&D costs	1,947	2,005	2,032	1,929

# Balance Sheets



## Assets

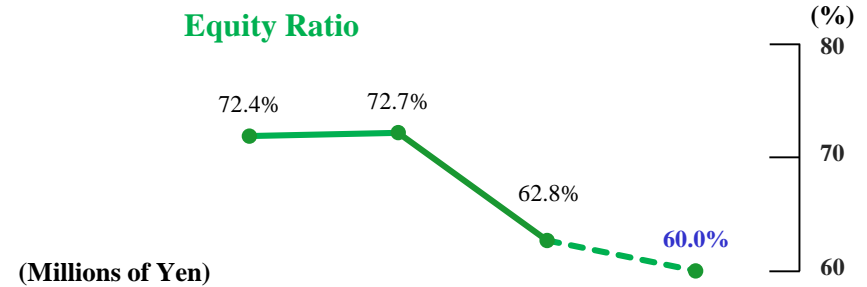
### Ratio of Net Cash (to Total Assets)



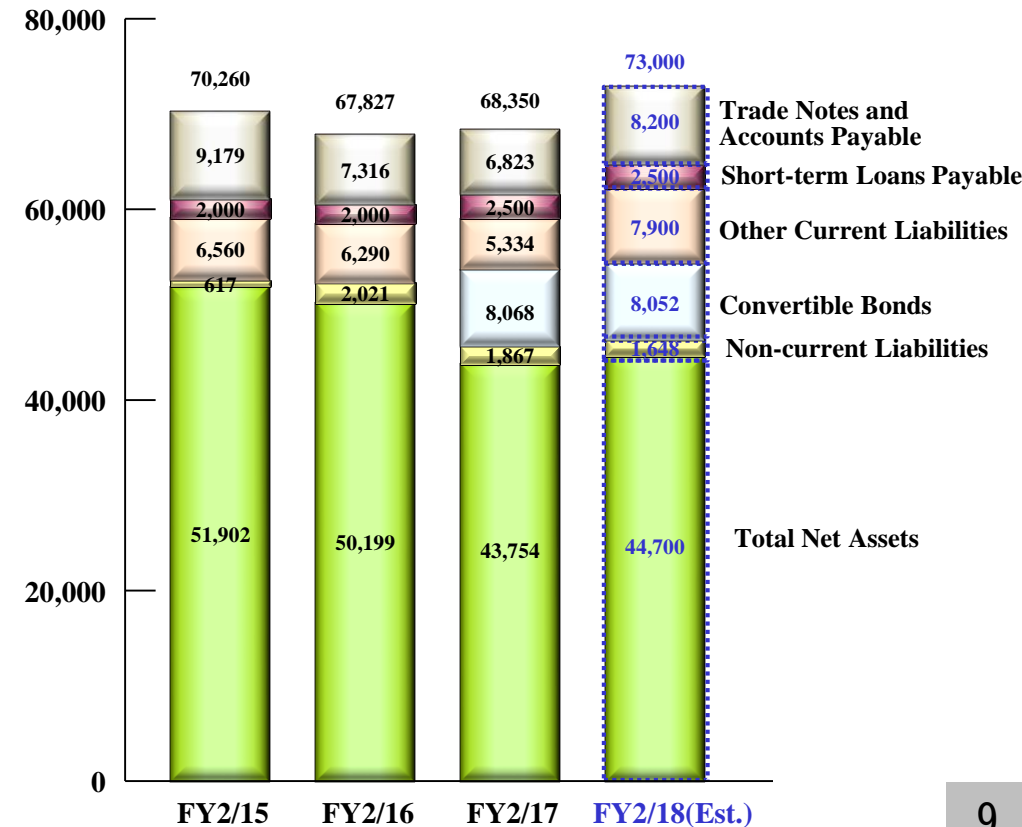
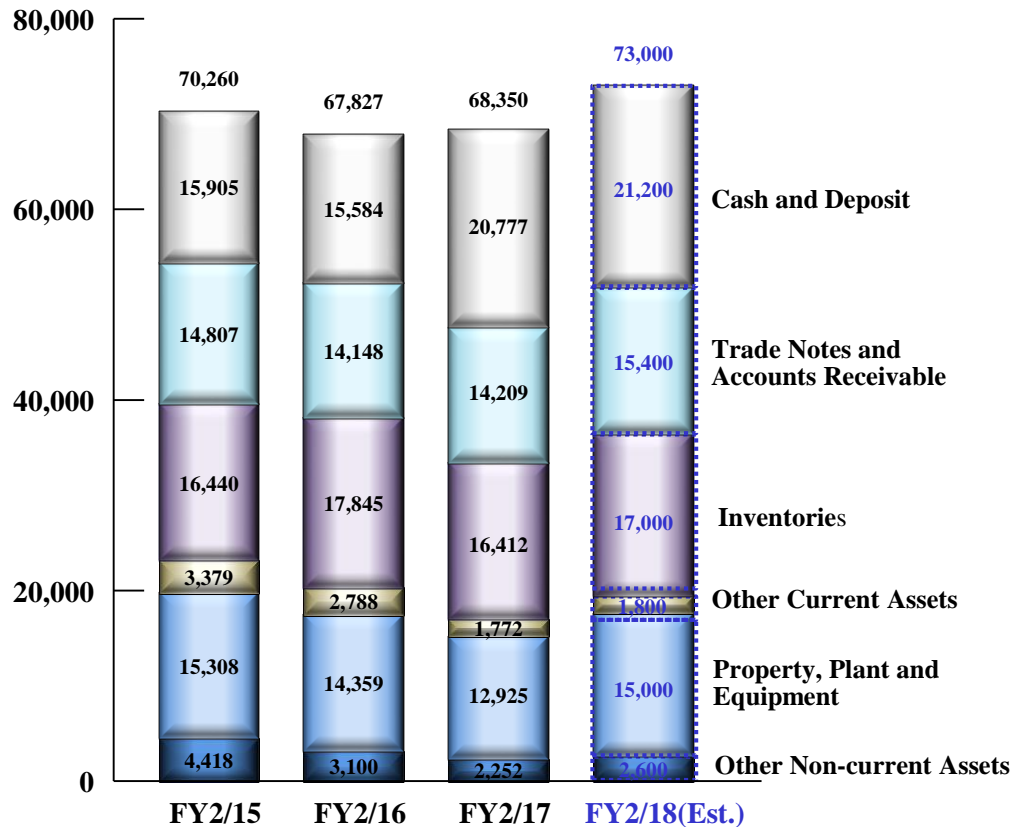
(Millions of Yen)

## Liabilities/Net assets

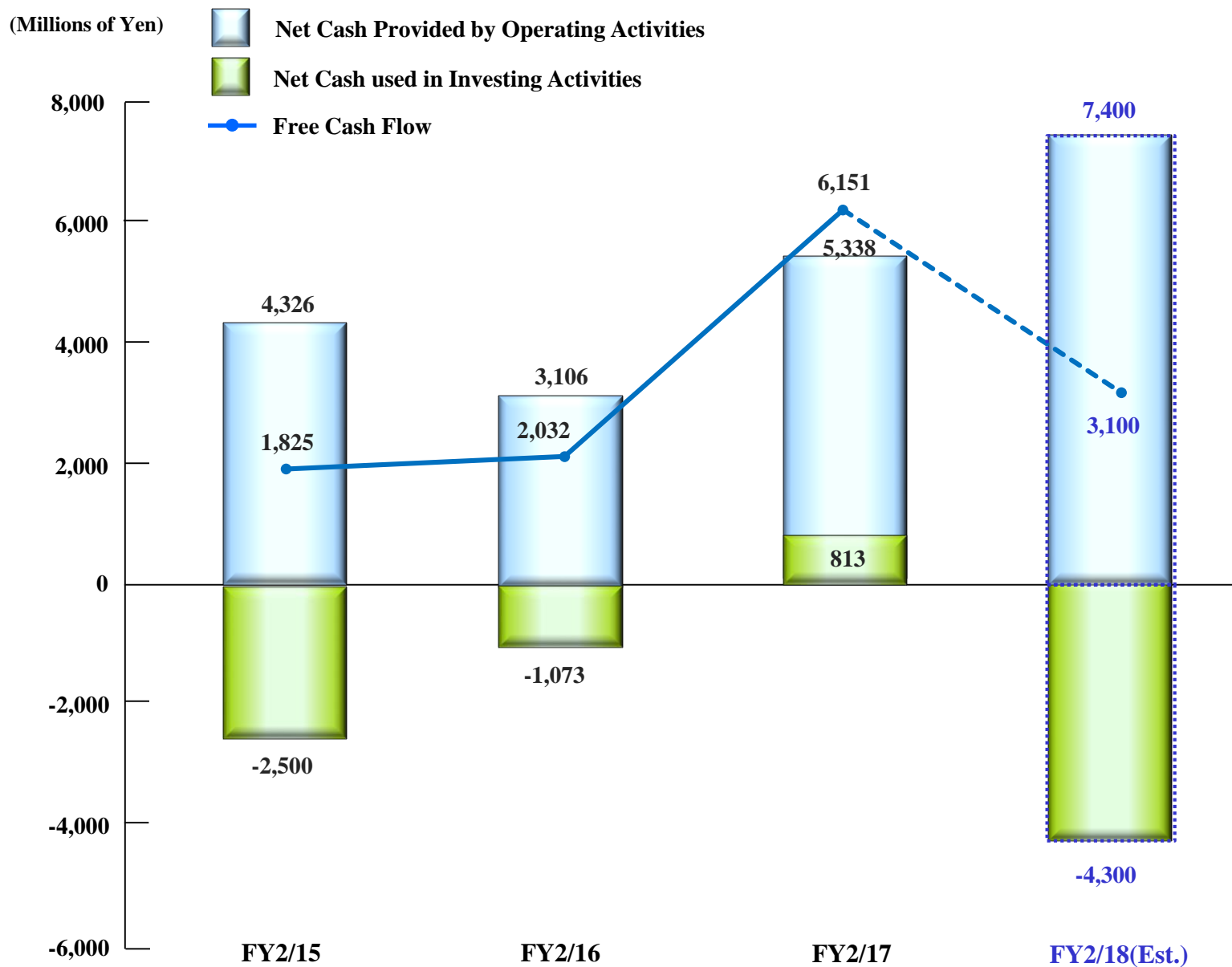
### Equity Ratio



(Millions of Yen)



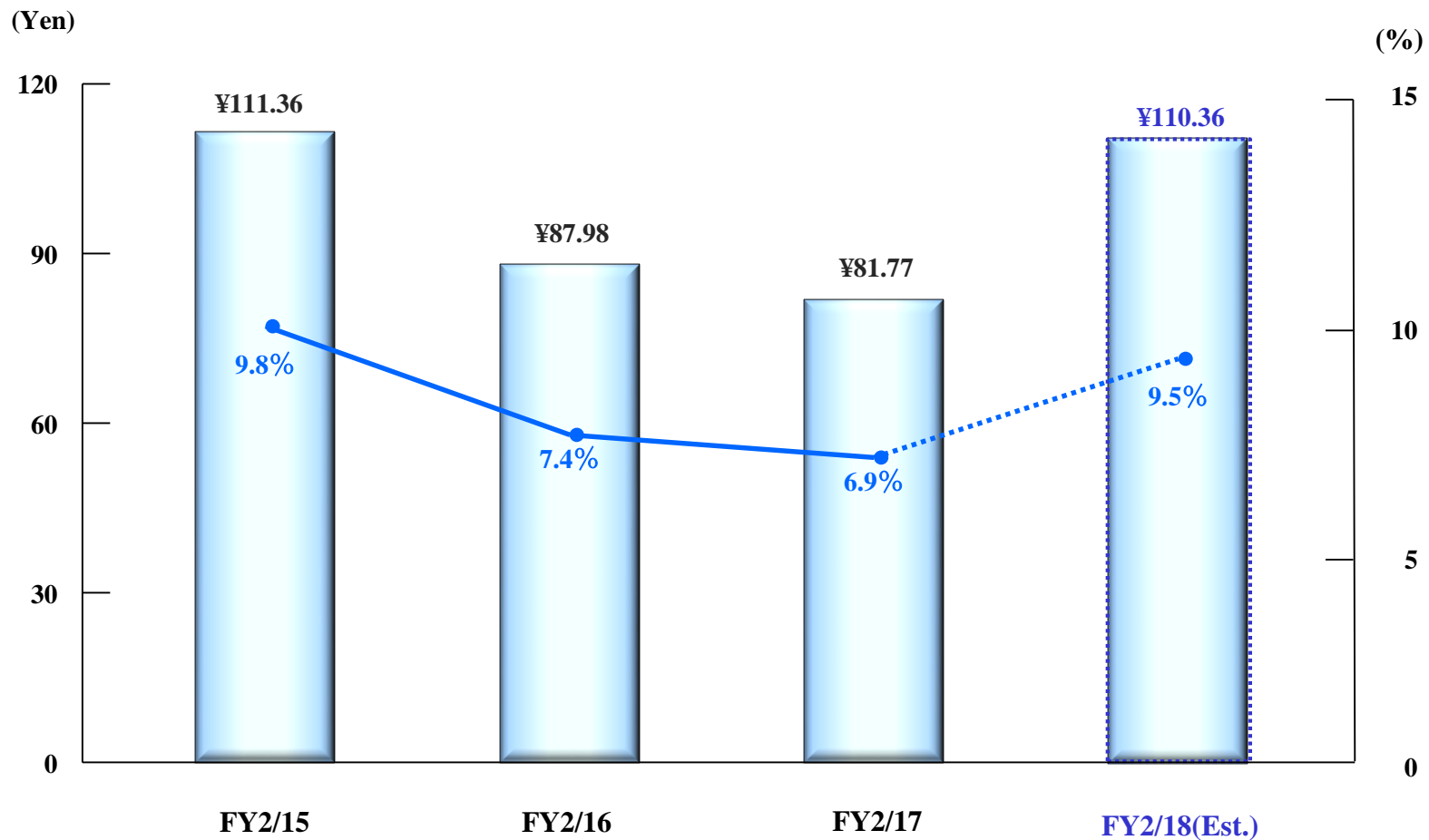
# Cash Flows



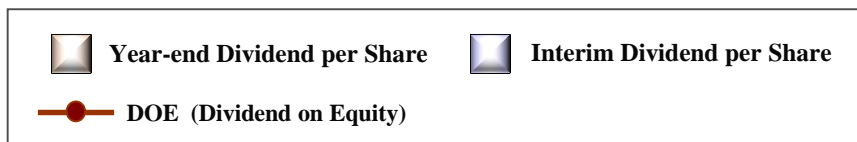
# Key Financial Indicators

■ EPS (Earnings per Share)  
● ROE (Return on Equity)

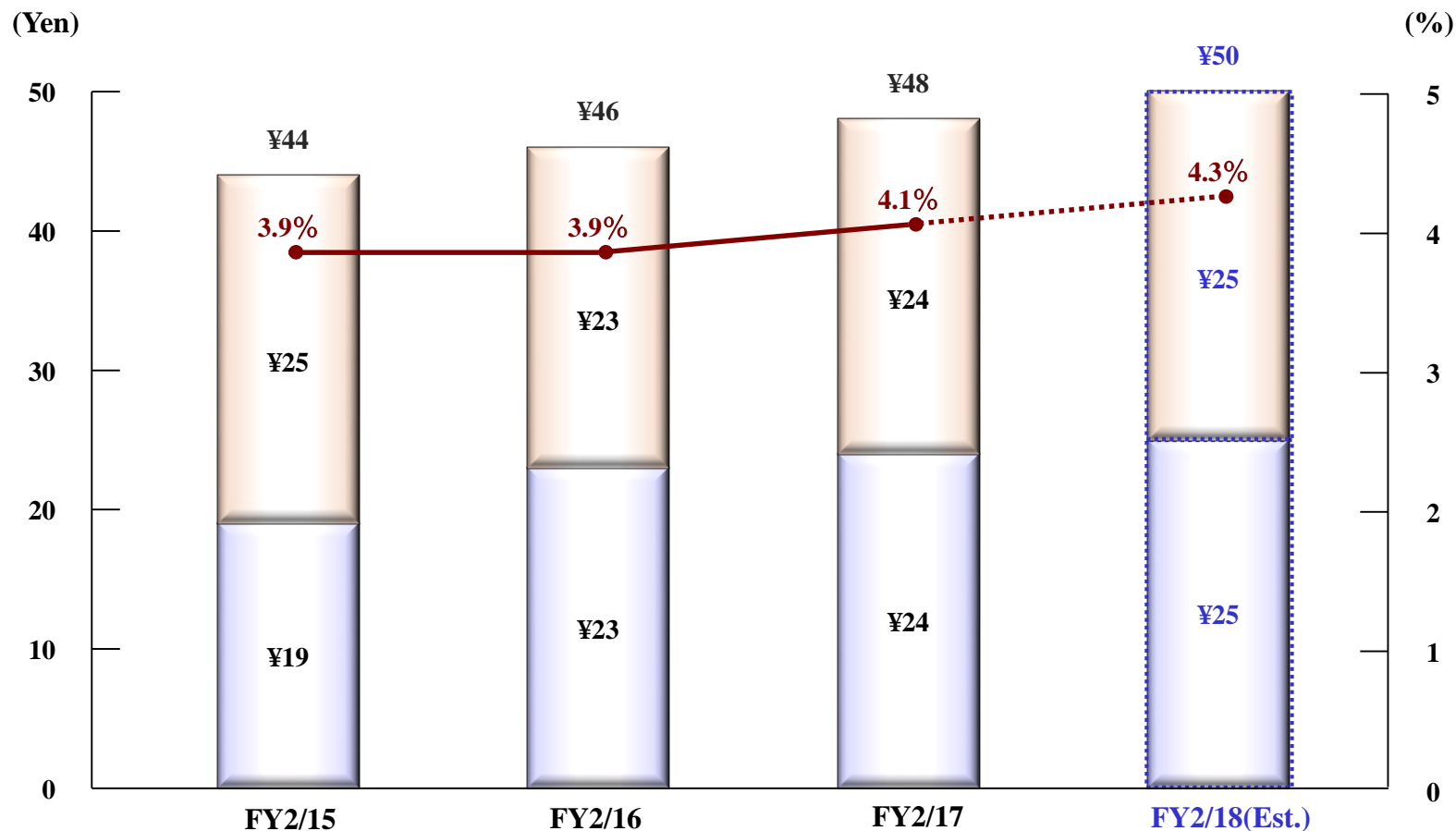
■ Medium-term Targets (FY2/21)  
ROE: 12% or more



# Returns to Shareholders



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



Total Payout Ratio	(39.5%)	(52.3%)	(257.3%)	58.5%
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# 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.)	56,500	5,100	9.0	5,500	9.7	4,100	7.3	110.36	9.5	4.3	50.0

# Reference: Business Segments and Products

## Special Products



Cash Drawer and Receipt Printer  
mPOP



POS Printer  
TSP100III



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-32JII type B

## Precision Products

### Wristwatch Components



### Non-Wristwatch Components

(Automotive, Air Conditioning, HDD and Medical Components)



(Automotive Components)