

Fiscal 2024 First-Half 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 2024 First-half Business Report: August 13, 2024

Scheduled payment of dividends: September 6, 2024

Preparation of supplementary explanatory materials for half earnings report: Yes

Half earnings presentation: Yes

(Figures less than one million are rounded down)

1. Results for for the First Half of Fiscal 2024 (From January 1, 2024 to June 30, 2024)

(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)	%
FY2024 First Half	30,986	(27.8)	1,548	(79.0)	2,008	(73.6)	584	(88.8)
FY2023 First Half	42,926	9.4	7,380	29.0	7,614	27.5	5,238	24.5

(Note) Comprehensive income FY2024 First Half ¥5,324 million [(41.6)%] FY2023 First Half ¥9,113 million [(3.0)%]

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY2024 First Half	16.26	16.20
FY2023 First Half	139.36	138.91

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of June 30, 2024	96,370	79,710	82.3
As of December 31, 2023	93,398	80,346	85.6

Reference: Shareholders' Equity

As of June 30, 2024 ¥79,325 million As of December 31, 2023 ¥79,964 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2024	—	30.00	—	30.00	60.00
FY 2023	—	30.00	—	—	—
FY 2024(projected)	—	—	—	30.00	60.00

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

3. Consolidated Outlook for the Fiscal Year Ending December 31, 2024 (From January 1, 2024 to December 31, 2024)

(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	68,000	(13.0)	5,400	(47.8)	6,000	(45.3)	3,700	(54.7)	107.68

(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 interim consolidated financial statements: None
- (3) Changes in accounting policies, estimates and restatement or corrections
- (i) Changes associated with revised accounting standards: None
 - (ii) Changes other than those in (i) above: None
 - (iii) Changes in accounting estimates: None
 - (iv) Retrospective restatement: None

(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, 2024	41,373,034 shares	As of December 31, 2023	41,921,434 shares
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(ii) Number of treasury stock at period-end

As of June 30, 2024	7,109,274 shares	As of December 31, 2023	5,215,874 shares
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(iii) Average number of outstanding shares (During the First Half)

As of June 30, 2024	35,974,367 shares	As of June 30, 2023	37,591,661 shares
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* This First-half earnings report is not subject to First-half 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. Overview of Operating Results and Financial Position " on page 2.

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results for the First Half of the Fiscal Year Ending December 31, 2024

During the first half of fiscal 2024, the fiscal year ending December 31, 2024, the global economy as a whole remained on a moderate recovery trend amid signs of a slowdown in inflation on the back of such factors as the prolonged implementation of monetary tightening policies by various countries. There were ongoing concerns, however, about a recession owing to a variety of factors, including persistently high interest rates in the U.S. Despite indications of a shift in economic trends, including the move to lower interest rates by the European Central Bank, the outlook remained uncertain due to concerns surrounding overall economic stagnation caused by such factors as the slump in real estate market conditions in China and continued depreciation in the yen. In each of the major markets in which the Star Micronics Group operates, overall demand for POS printers remained weak. In addition, demand in the U.S., Europe and Japan for the Group's mainstay machine tools continued to stall. On a positive note, China's recovery continued strongly.

Under these circumstances, the weak yen affected overall sales for the Star Micronics Group in the first half of the fiscal year under review. Due mainly to the significant decline in sales of machine tools, the Group recorded sales of ¥30,986 million, down 27.8% compared with the corresponding period of the previous fiscal year. From a profit perspective, operating income was down 79.0% to ¥1,548 million, ordinary income decreased 73.6% to ¥2,008 million, and net income attributable to owners of parent declined 88.8% to ¥584 million owing to such factors as an increase in the tax burden resulting from the impact of tax effect accounting on unrealized income.

Performance by segment was as follows:

(Special Products)

Sales of POS printers decreased significantly primarily in the U.S. market. Looking at trends by geographic region, sales in the U.S. market were down substantially due to sluggish mPOS demand. Meanwhile, sales in the European market were on par with the corresponding period of the previous fiscal year amid firm trends in market condition. Sales in Japan increased substantially owing mainly to contributions from Smart Solution Technology, Inc., which was included in the Company's scope of consolidation in the second quarter of the fiscal 2023, against the backdrop of robust market conditions.

Accounting for these and other factors, sales in the Special Products business decreased substantially, falling 34.0% year on year, to ¥5,927 million. On the earnings front, the Company incurred an operating loss of ¥14 million, a turnaround from the operating income of ¥1,701 million in the corresponding period of the previous fiscal year.

(Machine Tools)

Although the weak yen contributed to the overall performance of CNC automatic lathes, sales were down substantially, owing largely to sluggishness in the U.S. and European markets. By region, ongoing cautious move toward capital investment in the U.S. due to persistently high interest rate and ongoing weakness in overall demand in the European market were behind the significant decrease in sales. Meanwhile, in the Asian market, China in particular saw a recovery in market conditions fueling the substantial upswing in sales. In Japan, sales decreased substantially amid a lackluster performance as a whole, especially in the automotive sector.

Based on the aforementioned, sales and profits fell significantly in the Machine Tools business. In specific terms, sales were down 26.2% compared with the corresponding period of the previous fiscal year, to ¥25,059 million. Operating income fell 62.5% year on year, to ¥2,503 million.

(2) Explanation of Financial Position

Total assets as of the end of the first half of the fiscal year under review stood at ¥96,370 million, an increase of ¥2,972 million compared with the end of the previous fiscal year, amid the overall impact of fluctuations in foreign currency exchange rates. Despite the decrease in cash and deposits, this increase in total assets largely reflects increases in accounts receivable and inventories. Total liabilities stood at ¥16,660 million, an increase of ¥3,608 million compared with the previous fiscal year-end, chiefly on the back of the increase in trade notes and accounts payable. Despite an increase in foreign currency translation adjustments, total net assets decreased ¥635 million compared with the end of the previous fiscal year, to ¥79,710 million, due in part to the repurchase of own shares.

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

As far as earnings projections are concerned, STAR MICRONICS CO., LTD. revised its business results forecasts for the full fiscal year previously announced on February 9, 2024 after taking into account such factors as operating results for the first half of the fiscal year under review. For details, please refer to the press release titled "Notice Regarding Differences between Business Results Forecasts and Financial Results for the First Half of the Fiscal Year Ending December 31, 2024(Interim Period) and Revisions to Full Fiscal Year Earnings Forecasts" issued separately today (August 9, 2024).

2. Interim Consolidated Financial Statements and Major Notes

(1) Interim Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	29,721,934	28,915,985
Trade notes and accounts receivable	18,594,767	20,460,883
Merchandise and finished goods	14,542,598	14,431,378
Work in process	4,276,374	4,495,821
Raw materials and supplies	2,943,701	3,473,101
Other	3,475,268	3,750,826
Allowance for doubtful accounts	(197,701)	(123,422)
Total current assets	73,356,942	75,404,574
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,261,093	7,350,172
Machinery, equipment and vehicles, net	3,343,966	3,452,520
Tools, furniture and fixtures, net	1,354,520	1,341,035
Land	2,488,800	2,546,740
Lease assets, net	60,672	67,717
Construction in progress	144,002	434,975
Other, net	1,249,890	1,250,769
Total property, plant and equipment	15,902,946	16,443,931
Intangible assets		
Other	793,994	976,662
Total intangible assets	793,994	976,662
Investments and other assets		
Investment securities	662,038	841,212
Deferred tax assets	497,702	447,267
Net defined benefit asset	1,655,209	1,735,895
Other	529,711	521,369
Total investments and other assets	3,344,661	3,545,744
Total non-current assets	20,041,602	20,966,339
Total assets	93,398,545	96,370,913

(Unit: Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,345,274	6,421,457
Electronically recorded obligations-operating	326,753	366,759
Current portion of long-term bank loans	28,404	18,317
Lease obligations	29,637	27,273
Income taxes payable	313,660	440,796
Contract liabilities	331,598	444,679
Provision for bonuses	896,288	757,439
Provision for directors' bonuses	—	5,000
Other	6,136,430	6,090,918
Total current liabilities	11,408,047	14,572,639
Non-current liabilities		
Long-term bank loans	8,315	—
Lease obligations	37,827	47,975
Net defined benefit liability	116,575	128,141
Other	1,481,359	1,911,717
Total non-current liabilities	1,644,076	2,087,835
Total liabilities	13,052,124	16,660,475
Net assets		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	10,948,546	10,166,260
Retained earnings	55,401,296	54,885,079
Treasury stock	(7,637,848)	(11,714,013)
Total shareholders' equity	71,433,933	66,059,266
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	167,186	218,352
Foreign currency translation adjustments	7,058,883	11,820,964
Remeasurements of defined benefit plans	1,304,441	1,227,089
Total accumulated other comprehensive income	8,530,511	13,266,406
Stock acquisition rights	274,809	281,282
Noncontrolling interests	107,166	103,483
Total net assets	80,346,421	79,710,438
Total liabilities and net assets	93,398,545	96,370,913

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

(Interim Consolidated Statement of Income)

(First half period)

(Unit: Thousands of yen)

	First half period from January 1, 2023 to June 30, 2023, of FY2023	First half period from January 1, 2024 to June 30, 2024, of FY2024
Net sales	42,926,690	30,986,591
Cost of sales	25,401,165	19,961,796
Gross profit	17,525,524	11,024,795
Selling, general and administrative expenses	10,145,361	9,476,044
Operating income	7,380,163	1,548,751
Non-operating income		
Interest income	160,604	158,197
Foreign exchange gain	—	262,001
Rent income	20,904	20,582
Miscellaneous income	133,415	42,873
Total non-operating income	314,924	483,655
Non-operating expenses		
Interest expense	15,072	17,038
Foreign exchange loss	59,833	—
Miscellaneous loss	5,367	6,735
Total non-operating expenses	80,273	23,773
Ordinary income	7,614,815	2,008,632
Extraordinary income		
Gain on sales of non-current assets	8,621	4,134
Gain on revision of retirement benefit plan	203,002	—
Total extraordinary income	211,623	4,134
Extraordinary losses		
Loss on disposal of non-current assets	4,837	80,593
Total extraordinary losses	4,837	80,593
Income before income taxes	7,821,600	1,932,174
Income taxes-current	2,053,357	730,391
Income taxes-deferred	531,374	631,717
Total income taxes	2,584,732	1,362,108
Net income	5,236,867	570,065
Loss attributable to non-controlling interests	(1,901)	(14,884)
Net income attributable to owners of parent	5,238,769	584,950

(Interim Consolidated Statement of Comprehensive Income)
(First half period)

(Unit: Thousands of yen)

	First half period from January 1, 2023 to June 30, 2023, of FY2023	First half period from January 1, 2024 to June 30, 2024, of FY2024
Net income	5,236,867	570,065
Other comprehensive income		
Valuation difference on available-for-sale securities	64,882	51,166
Foreign currency translation adjustments	4,000,382	4,776,437
Remeasurements of defined benefit plans	(165,875)	(77,351)
Share of other comprehensive income of entities	(22,800)	3,739
Total other comprehensive income	3,876,588	4,753,991
Comprehensive income	9,113,455	5,324,056
(Total comprehensive income attributable to:)		
Owners of parent	9,105,154	5,320,845
Noncontrolling interests	8,301	3,211

**(3) Notes to Interim Consolidated Financial Statements
(Note on Going Concern Assumption)**

Not applicable

(Note on Significant Changes in Shareholders' Equity Accounts)

Pursuant to a resolution of the Board of Directors held on November 20, 2023, the Company retired 548,400 shares of treasury stock on January 31, 2024. In addition, STAR MICRONICS CO., LTD. repurchased 2,509,400 of its own shares between May 15, 2024 and June 30, 2024 in accordance with a resolution of its Board of Directors at a meeting held on May 14, 2024. As a result, the Company's capital surplus decreased ¥802,857 thousand, to ¥10,166,260 thousand, and the balance of treasury stock increased ¥4,984,267 thousand, to ¥11,714,013 thousand as of June 30, 2024.