

Fiscal 2024 Third-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 2024 Third-quarter Business Report: November 13, 2024

Scheduled payment of dividends: -

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 Third Quarter of Fiscal 2024 (From January 1, 2024 to September 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)	%
FY 2024 Third Quarter	48,047	(20.9)	3,309	(65.7)	3,642	(63.9)	1,563	(77.9)
FY 2023 Third Quarter	60,768	(1.4)	9,658	4.0	10,075	9.3	7,065	7.5

(Note) Comprehensive income FY 2024 Third Quarter ¥2,430 million [(79.6)%] FY 2023 Third Quarter ¥11,937 million [(10.2)%]

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY 2024 Third Quarter	44.56	44.39
FY 2023 Third Quarter	188.55	187.94

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of September 30, 2024	90,848	73,132	80.1
As of December 31, 2023	93,398	80,346	85.6

Reference: Shareholders' Equity

As of September 30, 2024 ¥72,757 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 2023	—	30.00	—	30.00	60.00
FY 2024	—	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	62,800	(19.7)	3,400	(67.2)	3,900	(64.4)	1,800	(78.0)	52.33

(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: 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 September 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 September 30, 2024	8,441,402shares	As of December 31, 2023	5,215,874 shares
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 - (iii) Average number of outstanding shares (During the nine months)

As of September 30, 2024	35,083,291shares	As of September 30, 2023	37,469,748 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. 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 Third Quarter of the Fiscal Year Ending December 31, 2024

During the third quarter 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. Despite indications of a shift in economic trends, including the move to lower interest rates in the U.S. and Europe, there were ongoing concerns about a recession owing to such factors as persistently high interest rates. Moreover, the outlook remained uncertain due to concerns surrounding overall economic stagnation caused by a variety of factors, including the slump in real estate market conditions in China and continued depreciation in the yen in Japan.

In each of the major markets in which the Star Micronics Group operates, while overall demand for POS printers remained weak, there were signs of a partial improvement. In addition, while demand in the U.S., Europe, and Japan for the Group's mainstay machine tools remained sluggish, China's partial recovery progressed.

Under these circumstances, while the weak yen affected overall sales of the Star Micronics Group in the third quarter of the fiscal year under review, the Group recorded sales of ¥48,047 million, down 20.9% compared with the corresponding period of the previous fiscal year due mainly to the significant decline in sales of machine tools. From a profit perspective, operating income was down 65.7%, to ¥3,309 million, ordinary income decreased 63.9%, to ¥3,642 million, and net income attributable to owners of parent declined 77.9%, to ¥1,563 million.

Performance by segment was as follows:

(Special Products)

Despite the overall impact of the weak yen, sales of POS printers decreased substantially due primarily to trends in the U.S. By geographical segment, notwithstanding signs of a recent recovery, sales in the U.S. significantly declined owing to sluggish mPOS demand. Meanwhile, market conditions in Europe were firm contributing to an upswing in sales. Amid steady domestic market conditions, sales in Japan increased. This reflected the inclusion of Smart Solution Technology, Inc. in the Company scope of consolidation in the second quarter of fiscal 2023.

Accounting for these and other factors, sales and profits fell significantly in the Special Products business. In specific terms, sales totaled ¥9,702 million, a substantial decline of 24.5% compared with the corresponding period of the previous fiscal year. Operating income dropped 71.6% year on year, to ¥616 million.

(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 moves toward capital investment in the U.S. due to persistently high interest rates and ongoing weakness in overall demand in the European market were behind the significant decrease in sales. Amid signs that recent market conditions in China have settled and the ongoing modest recovery in overall terms, sales in the Asian market increased substantially. In contrast, sales in Japan fell significantly amid a lackluster performance as a whole, especially in the automotive sector.

Based on the aforementioned, sales and profits declined substantially in the Machine Tools business. Once again in specific terms, sales decrease 20.0% compared with the corresponding period of the previous fiscal year, to ¥38,345 million. Operating income dropped 53.4% year on year, to ¥4,160 million.

(2) Overview of Financial Position for the Third Quarter of the Fiscal Year Ending December 31, 2024

Total assets as of the end of the third quarter of the fiscal year under review stood at ¥90,848 million, a decrease of ¥2,549 million compared with the end of the previous fiscal year. Despite increases in the balances of accounts receivable and property, plant and equipment, this decrease in total assets largely reflects the downturn in cash and deposits. Total liabilities came in at ¥17,715 million, an increase of ¥4,663 million compared with the previous fiscal year-end, chiefly on the back of the upswing in trade notes and accounts payable. Despite an increase in foreign currency translation adjustments, total net assets decreased ¥7,213 million compared with the end of the previous fiscal year, to ¥73,132 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 August 9, 2024 after taking into account such factors as operating results for the third quarter of the fiscal year under review. For details, please refer to the press release titled "Notice Regarding Revisions to Business Results Forecasts for the Full Fiscal Year" issued separately today (November 13, 2024).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	29,721,934	20,378,003
Trade notes and accounts receivable	18,594,767	21,702,972
Merchandise and finished goods	14,542,598	15,602,295
Work in process	4,276,374	4,507,351
Raw materials and supplies	2,943,701	3,385,740
Other	3,475,268	2,451,486
Allowance for doubtful accounts	(197,701)	(107,643)
Total current assets	73,356,942	67,920,206
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,261,093	7,072,607
Machinery, equipment and vehicles, net	3,343,966	3,208,167
Tools, furniture and fixtures, net	1,354,520	1,279,085
Land	2,488,800	2,518,262
Lease assets, net	60,672	58,951
Construction in progress	144,002	2,925,188
Other, net	1,249,890	1,172,715
Total property, plant and equipment	15,902,946	18,234,978
Intangible assets		
Other	793,994	1,143,603
Total intangible assets	793,994	1,143,603
Investments and other assets		
Investment securities	662,038	913,918
Deferred tax assets	497,702	380,627
Net defined benefit asset	1,655,209	1,777,074
Other	529,711	478,167
Total investments and other assets	3,344,661	3,549,788
Total non-current assets	20,041,602	22,928,370
Total assets	93,398,545	90,848,577

(Unit: Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,345,274	7,594,349
Electronically recorded obligations-operating	326,753	562,466
Current portion of long-term bank loans	28,404	13,316
Lease obligations	29,637	23,122
Income taxes payable	313,660	364,832
Contract liabilities	331,598	460,248
Provision for bonuses	896,288	672,366
Provision for directors' bonuses	—	15,000
Other	6,136,430	5,776,256
Total current liabilities	11,408,047	15,481,959
Non-current liabilities		
Long-term bank loans	8,315	—
Lease obligations	37,827	42,498
Net defined benefit liability	116,575	131,786
Other	1,481,359	2,059,672
Total non-current liabilities	1,644,076	2,233,958
Total liabilities	13,052,124	17,715,917
Net assets		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	10,948,546	10,170,479
Retained earnings	55,401,296	54,835,680
Treasury stock	(7,637,848)	(14,375,471)
Total shareholders' equity	71,433,933	63,352,627
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	167,186	182,195
Foreign currency translation adjustments	7,058,883	8,034,713
Remeasurements of defined benefit plans	1,304,441	1,188,413
Total accumulated other comprehensive income	8,530,511	9,405,322
Stock acquisition rights	274,809	281,780
Noncontrolling interests	107,166	92,930
Total net assets	80,346,421	73,132,660
Total liabilities and net assets	93,398,545	90,848,577

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

(Quarterly Consolidated Statement of Income)

(Third nine-month period)

(Unit: Thousands of yen)

(Unit: Thousands of yen)

	Third nine-month period from January 1, 2023 to September 30, 2023, of FY2023	Third nine-month period from January 1, 2024 to September 30, 2024 of FY2024
Net sales	60,768,352	48,047,695
Cost of sales	35,970,683	30,247,438
Gross profit	24,797,668	17,800,256
Selling, general and administrative expenses	15,138,816	14,490,729
Operating income	9,658,852	3,309,527
Non-operating income		
Interest income	242,267	255,570
Foreign exchange gain	16,380	—
Rent income	31,582	30,957
Miscellaneous income	157,926	91,446
Total non-operating income	448,156	377,974
Non-operating expenses		
Interest expense	22,724	24,055
Foreign exchange loss	—	7,069
Miscellaneous loss	8,999	14,329
Total non-operating expenses	31,724	45,453
Ordinary income	10,075,284	3,642,048
Extraordinary income		
Gain on sales of non-current assets	11,487	8,754
Gain on revision of retirement benefit plan	203,002	—
Total extraordinary income	214,489	8,754
Extraordinary losses		
Loss on disposal of non-current assets	36,480	190,219
Total extraordinary losses	36,480	190,219
Income before income taxes	10,253,293	3,460,584
Income taxes-current	2,702,119	1,039,691
Income taxes-deferred	483,702	866,791
Total income taxes	3,185,822	1,906,483
Net income	7,067,471	1,554,100
Net (income) loss attributable to noncontrolling interests	2,372	(9,363)
Net income attributable to owners of the parent	7,065,099	1,563,463

(Quarterly Consolidated Statement of Comprehensive Income)
(Third nine-month period)

(Unit: Thousands of yen)

	Third nine-month period from January 1, 2023 to September 30, 2023, of FY2023	Third nine-month period from January 1, 2024 to September 30, 2024 of FY2024
Net income	7,067,471	1,554,100
Other comprehensive income		
Valuation difference on available-for-sale securities	77,259	15,008
Foreign currency translation adjustments	5,041,149	953,964
Remeasurements of defined benefit plans	(248,813)	(116,027)
Share of other comprehensive income of entities	837	23,887
Total other comprehensive income	4,870,432	876,832
Comprehensive income	11,937,904	2,430,933
(Total comprehensive income attributable to:)		
Owners of parent	11,921,323	2,438,275
Noncontrolling interests	16,580	(7,341)

(3) Notes to Quarterly Consolidated Financial Statements
(Notes concerning segment information, etc.)

1. Results for the Third Quarter of Fiscal 2023 (From January 1, 2023 to September 30, 2023)
Information about sales, profit (loss) by reportable segment

(Unit: Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Quarterly Consolidated Statement of Income Amounts (Note 2)
	Special Products	Machine Tools	Total		
Sales					
Sales to external customers	12,847,066	47,921,285	60,768,352	—	60,768,352
Intersegment sales or transfers	—	—	—	—	—
Total	12,847,066	47,921,285	60,768,352	—	60,768,352
Segment profit	2,175,338	8,936,676	11,112,015	△1,453,163	9,658,852

Notes:

- Adjustments to segment income represent corporate expenses that are not allocated to a particular reporting segment. Corporate expenses mainly comprise expenses relating to the Company's head office administration department.
- Segment income is adjusted in line with operating income in the accompanying quarterly consolidated statement of income.

2. Results for the Third Quarter of Fiscal 2024 (From January 1, 2024 to September 30, 2024)
Information about sales, profit (loss) by reportable segment

(Unit: Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Quarterly Consolidated Statement of Income Amounts (Note 2)
	Special Products	Machine Tools	Total		
Sales					
Sales to external customers	9,702,063	38,345,632	48,047,695	—	48,047,695
Intersegment sales or transfers	—	—	—	—	—
Total	9,702,063	38,345,632	48,047,695	—	48,047,695
Segment profit	616,793	4,160,180	4,776,974	△1,467,446	3,309,527

Notes:

- Adjustments to segment income represent corporate expenses that are not allocated to a particular reporting segment. Corporate expenses mainly comprise expenses relating to the Company's head office administration department.
- Segment income is adjusted in line with operating income in the accompanying quarterly consolidated statement of income.

(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 3,871,000 of its own shares between May 15, 2024 and September 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 ¥10,170,479 thousand, and the balance of treasury stock increased ¥6,892,053 thousand, to ¥14,375,471 thousand as of September 30, 2024.

(Note on Going Concern Assumption)

Not applicable

(Notes to Quarterly Consolidated Statements of Cash Flows)

STAR MICRONICS CO., LTD. has not prepared quarterly consolidated statements of cash flows for the third quarter cumulative period of the fiscal year under review. Meanwhile, depreciation and amortization (including amortization of intangible assets other than goodwill) for the third quarter cumulative period of fiscal 2024 is as follows.

(Unit: Thousands of yen)

	FY 2023 Third Quarter (From January 1, 2023 to September 30, 2023)	FY 2024 Third Quarter (From January 1, 2024 to September 30, 2024)
depreciation	1,973,648	1,986,666