

Notice Regarding Succession of Business to a Subsidiary by Company Split (Simplified Absorption-type Split)

STAR MICRONICS CO., LTD. (“STAR MICRONICS” or “the Company”) resolved at a meeting of its Board of Directors held today (October 11, 2018) that as was notified in “Notice Regarding the Establishment of a Subsidiary” on July 11, 2018, it will transfer its Special Products Segment in Japan by way of a company split (simplified absorption-type split; “the Company Split”) to Star Marketing Japan Co., Ltd. (“SMJP”). With regard to this, the Company and SMJP have entered into an agreement, dated today. Details of the Company Split are as follows.

Under the Company Split, the Company will transfer business to SMJP, a wholly owned subsidiary, and as such the disclosure of certain items and details have been omitted from this notice.

1. Purpose of the Company Split

The Company established SMJP in July 2018 as a wholly owned subsidiary with the objective of further expanding the domestic sales business of its Special Products Segment. In order to smoothly conduct the transfer of the Special Products Segment’s sales business, however, the Company is transferring this business to SMJP by using an absorption-type company split method.

2. Overview of the Company Split

(1) The Company Split Schedule

Board of Directors meeting to approve an absorption-type company split agreement	October 11, 2018
Conclusion of the agreement for the absorption-type company split	October 11, 2018
Effective date of the absorption-type company split	January 1, 2019 (planned)

Note: The Company and SMJP will not seek respective approvals to conclude the agreement at their General Meeting of Shareholders as the Company Split will be executed through a simplified absorption-type split pursuant to Article 784, Paragraph 2 of the Companies Act for the Company, the splitting company, and through a short-form absorption-type split under Article 796, Paragraph 1 of the Companies Act for SMJP, the successor company.

(2) Method of the Company Split

An absorption-type company split in which the Company is the splitting company and SMJP is the successor company.

(3) Details of Share Allocation as Pertains to the Company Split

The Company Split will be conducted with a wholly owned subsidiary, and as such, when the Company Split is executed SMJP will not allocate shares or pay any other consideration.

(4) Handling of Share Options and Share Options with Bonds Associated with the Company Split

The Company issues share options and bonds with share options, however, there will be no change in their handling as a result of the Company Split.

(5) Capital to be Increased or Decreased Due to the Company Split

There will be no increase or decrease in capital due to the Company Split.

(6) Rights and Obligations to be Transferred to the Successor Company

The Company will transfer the assets and liabilities, as well as those rights and responsibilities that pertain to these and that are set out in the agreement, and are associated with the business to be transferred as of the effective date, as set forth in the Company Split agreement. The Company will cumulatively take on liabilities that the successor company transfers.

(7) Prospects for the Performance of Obligations

The Company has determined that the Company and SMJP will have no problems in discharging their obligations on or after the day the Company Split takes effect.

3. Overview of Companies Involved in the Company Split

	Splitting Company	Successor Company	
(1) Name	STAR MICRONICS CO., LTD.	Star Marketing Japan Co., Ltd.	
(2) Address	20-10 Nakayoshida, Suruga-ku, Shizuoka City, Shizuoka Prefecture	3-3-13, Shimbashi, Minato-ku, Tokyo	
(3) Representative	Mamoru Sato, Representative Director, President and CEO	Takayuki Aoki, President and Representative Director	
(4) Business content	Manufacturing and sale of special products, machine tools, and precision products	Sale of POS printers and peripheral devices	
(5) Paid-in capital	¥12,721 million	¥40 million	
(6) Date of establishment	July 6, 1950	July 25, 2018	
(7) Shares issued	46,267,634	4,000	
(8) Fiscal period	December 31	December 31	
(9) Major shareholders and ratio of shares held	The Master Trust Bank of Japan, Ltd. (Trust Account) 9.58% Japan Trustee Services Bank, Ltd. (Trust Account) 9.38% The Shizuoka Bank, Ltd. 4.30% NORTHERN TRUST CO. (AVFC) RE HCR00 2.26% Japan Trustee Services Bank, Ltd. (Trust Account 9) 2.14% BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD 2.03% Michi Suzuki 1.78% Japan Trustee Services Bank, Ltd. (Trust Account 5) 1.67% THE BANK OF NEW YORK 133522 1.50% BBH BOSTON CUSTODIAN FOR JAPAN EQUITY PREMIUM FUND OF CREDIT SUISSE UNIVER620373 1.42%	100.0% held by STAR MICRONICS CO., LTD.	
(10) Financial condition and management results in most recent fiscal year			
	Period	FY2/2018 (Note 1)	(Note 2)
	Net assets	¥47,446 million	—
	Total assets	¥77,362 million	—
	Net assets per share	¥1,263.15	—
	Net sales	¥60,772 million	—
	Operating income	¥6,210 million	—
	Ordinary income	¥7,015 million	—
	Net income attributable to owners of parent	¥5,780 million	—
	Net income per share	¥155.68	—

Note 1: At the 93th General Meeting of Shareholders held on May 24, 2018, the Company, which is the splitting company, resolved to change its Articles of Incorporation to revise its fiscal period from ending on the last day of February, to December 31.

Note 2: SMJP, the successor company, being established on July 25, 2018, has no financial condition or management results to report in the most recent fiscal year.

4. Outline of the Business to be Split

(1) Business of the segment to be split off

Domestic sales business of the Special Products Segment

(2) Management results for the division being split off

Net sales of ¥1,995 million (FY2/2018).

(3) Assets and liabilities being split off, and monetary values

There are no assets or liabilities being split off.

5. Status after the Company Split

	Splitting Company	Successor Company
(1) Name	STAR MICRONICS CO., LTD.	Star Marketing Japan Co., Ltd.
(2) Address	20-10 Nakayoshida, Suruga-ku, Shizuoka City, Shizuoka Prefecture	3-3-13, Shimbashi, Minato-ku, Tokyo
(3) Representative	Mamoru Sato, Representative Director, President and CEO	Kazuyoshi Terao, President and Representative Director
(4) Business content	Manufacturing and sale of special products, machine tools, and precision products	Sale of POS printers and peripheral devices
(5) Paid-in capital	¥12,721 million	¥10 million
(6) Fiscal period	December 31	December 31

Note 1: As of the effective date of November 26, 2018, the successor company is scheduled to reduce its paid-in capital by ¥30 million, to ¥10 million yen.

Note 2: The successor company is planning to transfer (change) its representative as of January 1, 2019.

6. Future Prospects

The Company Split is a simplified absorption-type company split between the Company and its wholly owned subsidiary, and as such, will have nominal impact on the Company's consolidated financial results.

(Reference) Consolidated business results forecasts for the period (disclosure on October 11, 2018) and consolidated results for the previous period

(Unit: millions of yen)

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Net income attributable to owners of parent
Results forecasts for the period (FY12/2018)	61,200	8,200	8,300	6,000
Results for the previous period (FY2/2018)	60,772	6,210	7,015	5,780