

Financial Results for the FY12/2020

STAR MICRONICS CO., LTD.

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

Code 7718

February 9, 2021

* 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.

Financial Results for the FY12/2020

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Sales and profits substantially exceeded recent forecasts despite declining year on year

■ Net Sales	¥45.67 billion	24.7% down YoY
■ Operating Income	¥2.17 billion	62.6% down YoY
■ Ordinary Income	¥2.77 billion	55.0% down YoY
■ Net Income Attributable to Owners of Parent	¥1.73 billion	57.3% down YoY

- ✓ **Substantial decrease in sales and profits due mainly to the impact of COVID-19**
- ✓ **Recovery trend in market conditions in each business segment; business results substantially exceeding recent forecasts**
- ✓ **Increase in the period-end dividend of 2 yen per share; record high annual dividend of 58 yen per share since the Company's listing (tenth consecutive fiscal year of dividend growth)**

Consolidated Operating Results



(Millions of Yen)

		FY12/2019		FY12/2020		
		Actual		Actual		
		Amount	Income Ratio (%)	Amount	Income Ratio (%)	Change (%)
Sales	Special Products	12,542		11,720		(6.6)
	Machine Tools	44,920		32,966		(26.6)
	Precision Products	3,188		983		(69.2)
	Total	60,651		45,670		(24.7)
Operating Income	Special Products	1,614	12.9	1,545	13.2	(4.2)
	Machine Tools	6,332	14.1	2,614	7.9	(58.7)
	Precision Products	184	5.8	83	8.5	(54.8)
	Eliminations or Corporate	(2,314)		(2,070)		
	Total	5,817	9.6	2,172	4.8	(62.6)
Ordinary Income		6,161	10.2	2,772	6.1	(55.0)
Net Income Attributable to Owners of Parent		4,053	6.7	1,731	3.8	(57.3)

ROE (%)	8.3	3.5
Cash Dividends Applicable to the Year	¥56	¥58
DOE (%)	4.1	4.1

Exchange Rate	U S \$	¥109.06	¥106.83
	E U R	¥122.08	¥121.82
	G B P	¥139.27	¥137.09
	C H F	¥109.72	¥113.80

Consolidated Business Forecast



(Millions of Yen)

		FY12/2020		FY12/2021 Forecast						
		Actual		1st Half		2nd Half		Full-Year		
		Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Change (%)
Sales	Special Products	11,720		5,600		6,120		11,720		-
	Machine Tools	32,966		16,200		24,080		40,280		18.6
	Precision Products ^{※1}	983								
	Total	45,670		21,800		30,200		52,000		13.9
Operating Income	Special Products	1,545	13.2	750	13.4	930	15.2	1,680	14.3	8.7
	Machine Tools	2,614	7.9	1,150	7.1	3,270	13.6	4,420	11.0	63.9
	Precision Products ^{※1}	83	8.5							
	Eliminations or Corporate	(2,070)		(900)		(1,000)		(1,900)		
	Total	2,172	4.8	1,000	4.6	3,200	10.6	4,200	8.1	93.3
Ordinary Income		2,772	6.1	1,100	5.0	3,300	10.9	4,400	8.5	58.7
Net Income Attributable to Owners of Parent		1,731	3.8	900	4.1	2,400	7.9	3,300	6.3	90.6

※1 Effective from the fiscal year ending December 31, 2021, the Company will review the classification of its business segments and reclassify reportable segments to the two "Special Products" and "Machine Tools" segments.

ROE (%)	3.5
Cash Dividends Applicable to the Year	¥58
DOE (%)	4.1

6.7
¥58
4.2

Exchange Rate	US \$	¥106.83
	EUR	¥121.82
	GBP	¥137.09
	CHF	¥113.80

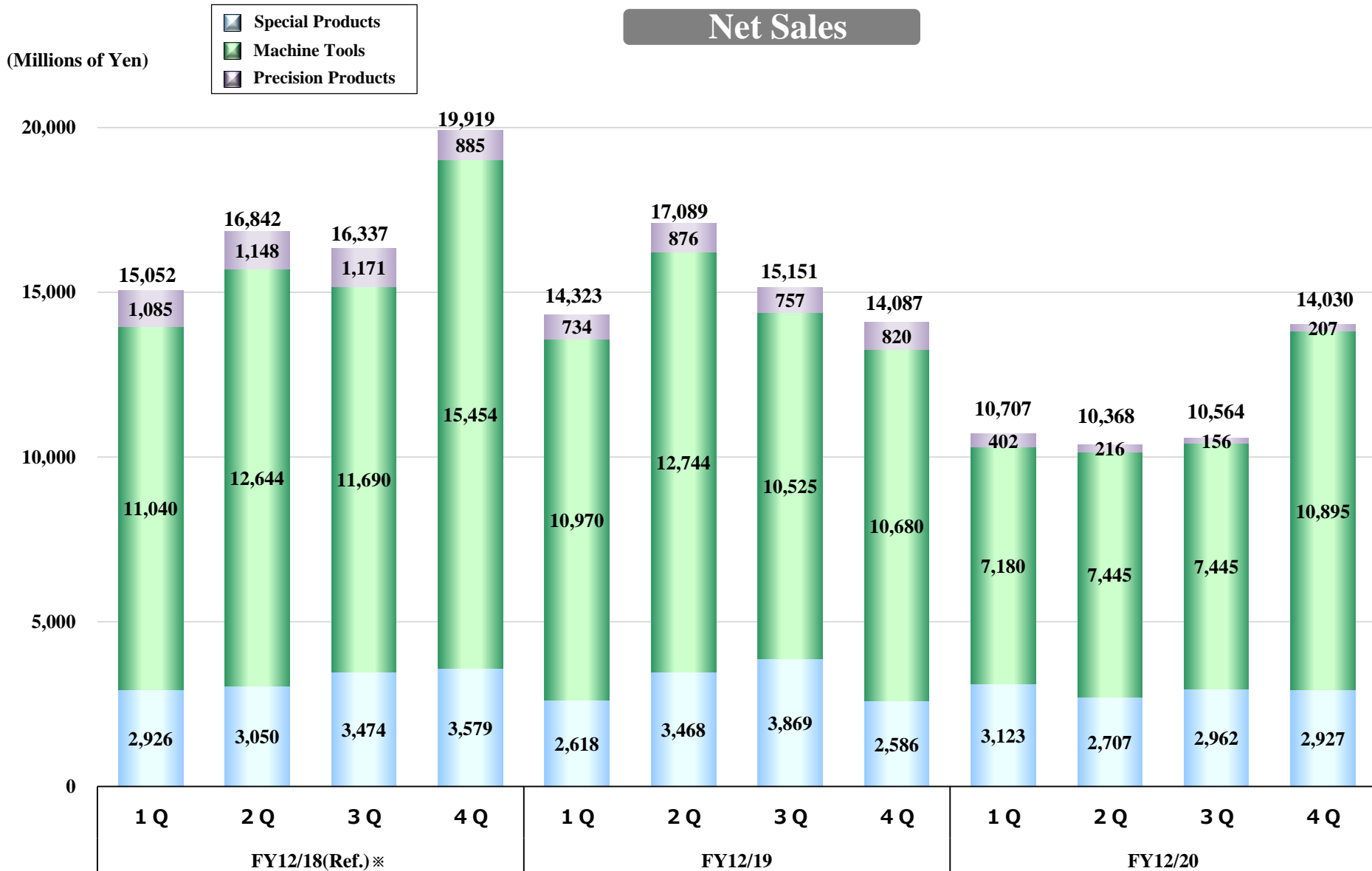
Planned Rate	Foreign Exchange Sensitivity ^{※2}
¥100.00	98million
¥123.00	36million
¥137.00	5million
¥115.00	24million

※2 Foreign Exchange Sensitivity: Sensitivity of operating income to a ¥1 change in foreign exchange rates.

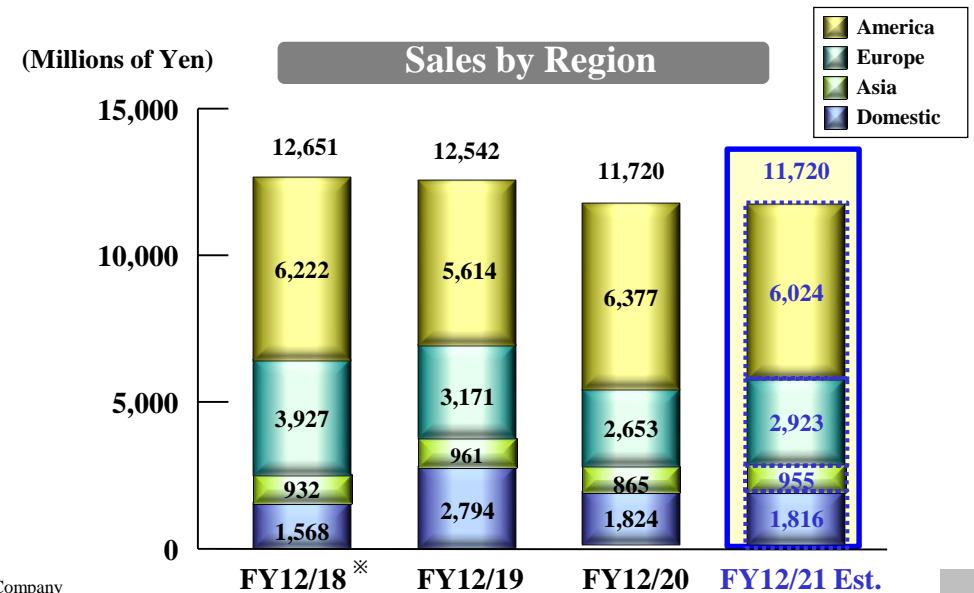
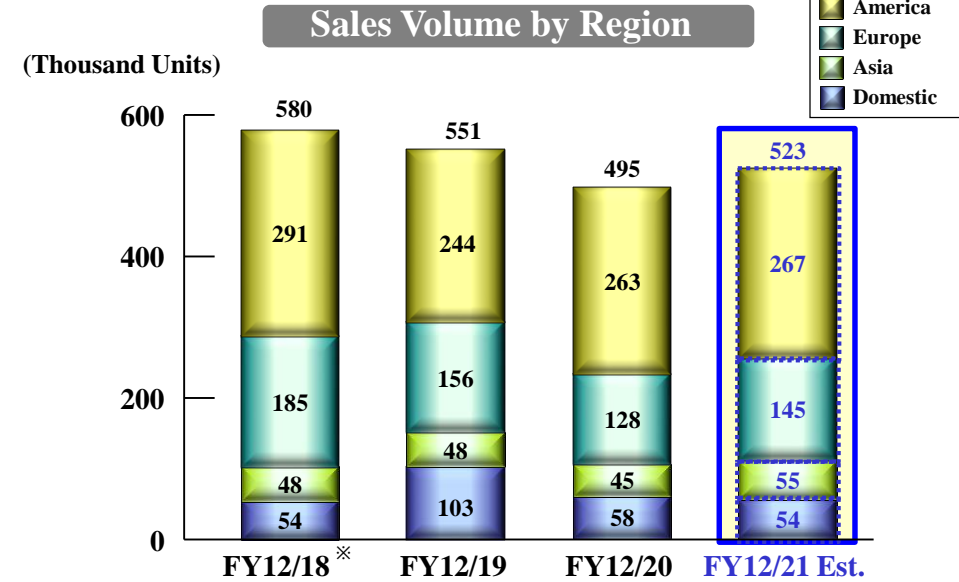
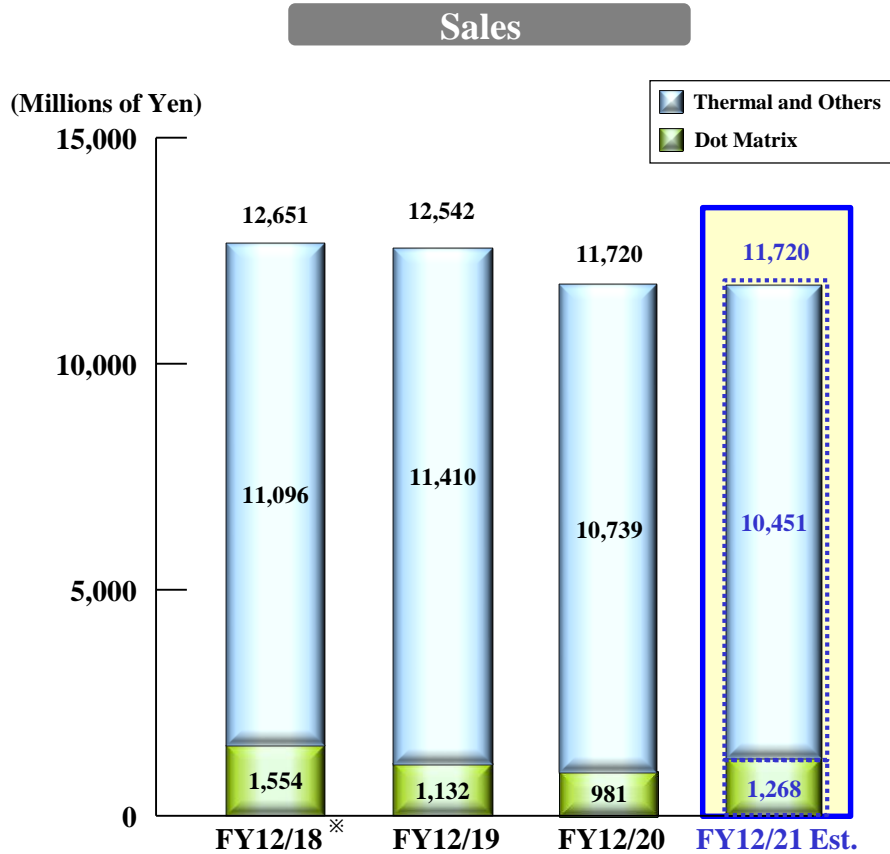
Quarterly Information(Net Sales)



Net Sales

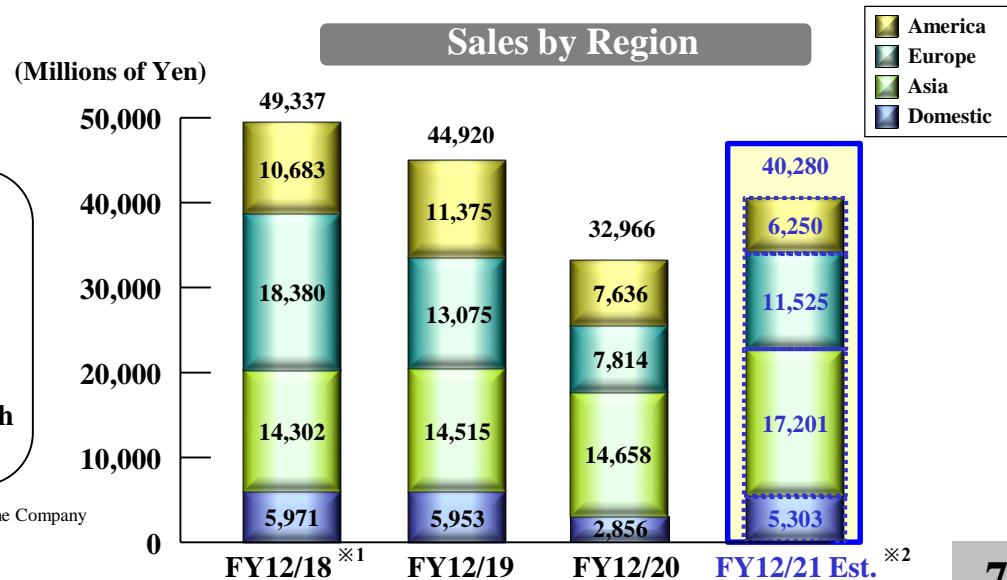
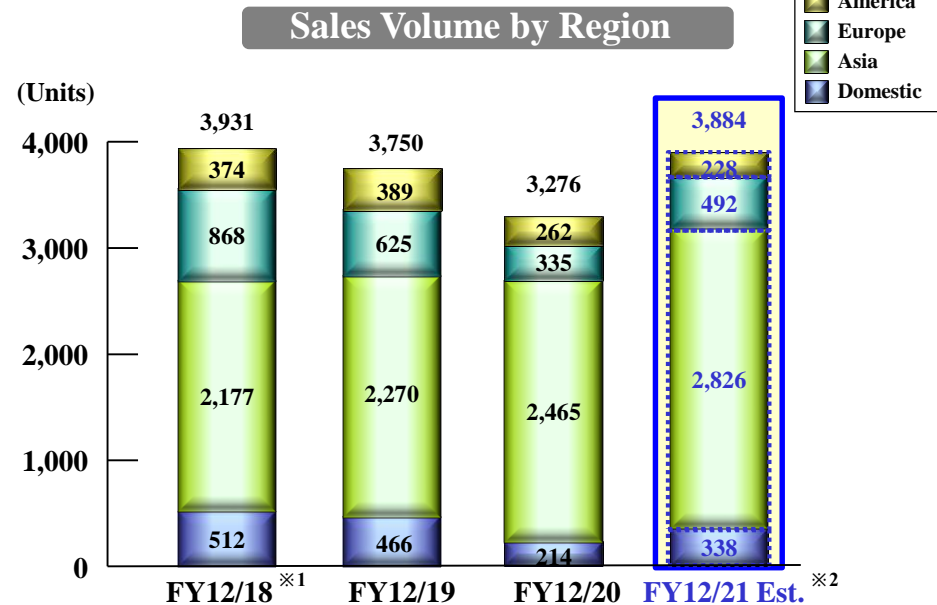
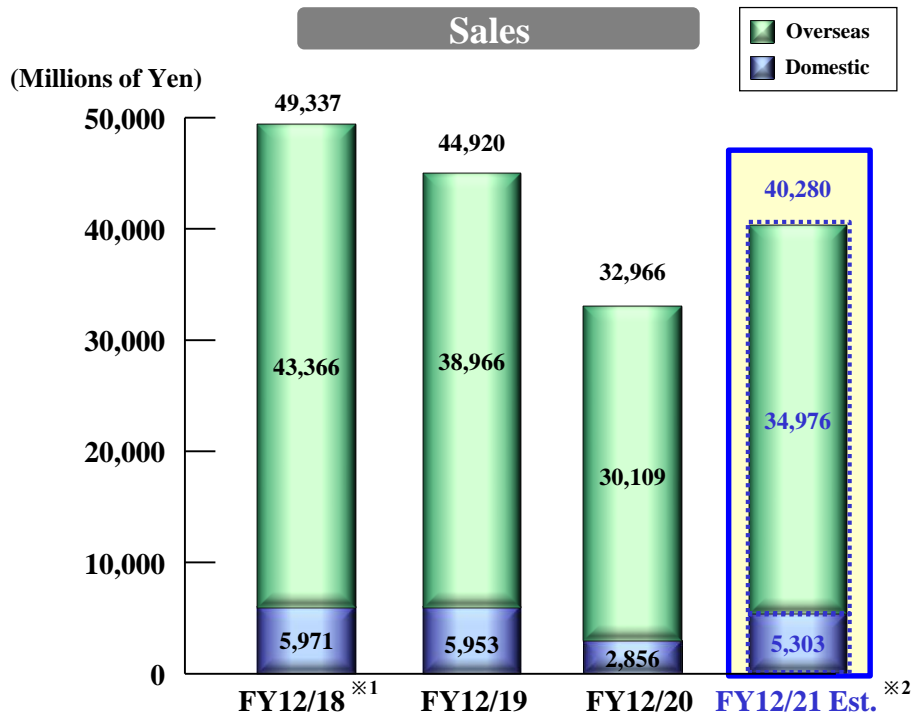


※Figures presented as the FY12/2018(Ref.) have been calculated to facilitate a comparison with the FY12/2019 under the same conditions.
The FY2/2018 is based on the conventional settlement period. (Refer to page 2)



- Each market was impacted by the COVID-19 pandemic.
- Sales in the U.S. increased due to favorable sales for food deliveries.
- Sales in Europe decreased due to the sluggish market conditions.
- Sales in Japan decreased. This was due to reaction to the last-minute demand in the lead-up to the 2019 consumption tax rate hike.

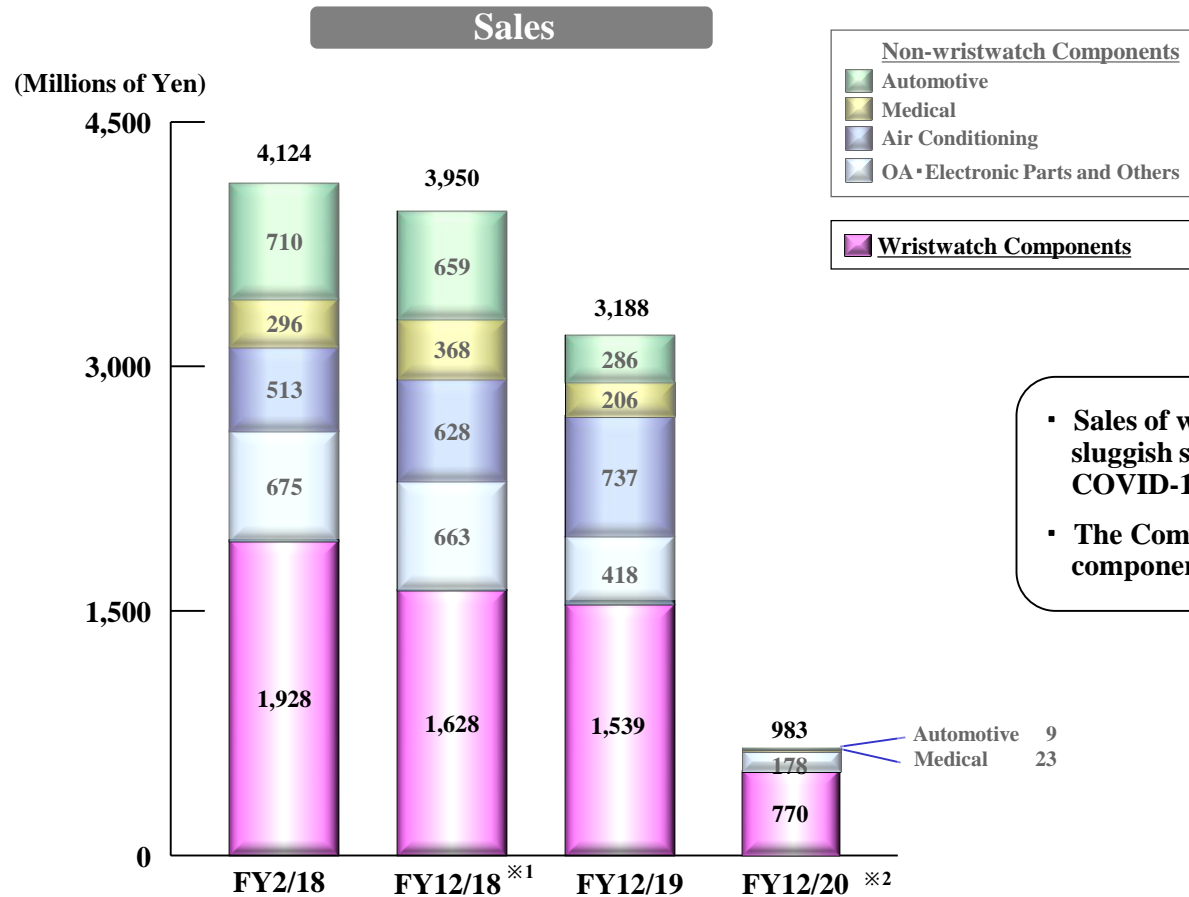
*The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.



- Each market was impacted by the COVID-19 pandemic.
- Sales in the U.S. market declined substantially due to a variety of factors including restrictions on sales activities.
- Despite initial signs of a recovery in automobile-related markets in Europe and Japan over the second half, substantial decline in net sales.
- In the Asian market, demand in China recovered quickly and was on a par with the previous fiscal year.

※1 The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

※2 The Precision Products Business included in this segment from December 2021.



- Sales of wristwatch components declined significantly due to the sluggish sales at wristwatch makers suffering from the effects of the COVID-19 pandemic.
- The Company fundamentally withdrew from non-wristwatch component operations as of the end of March 2020.

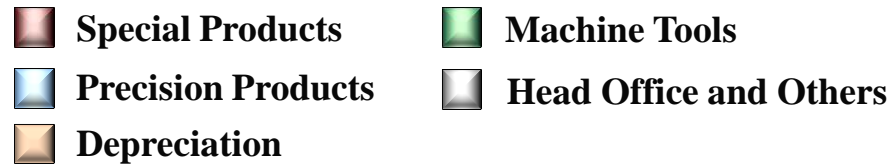
※1 The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

※2 To be reported as part of the Machine Tools Segment from December 2021.

Capital Investment / R&D Costs



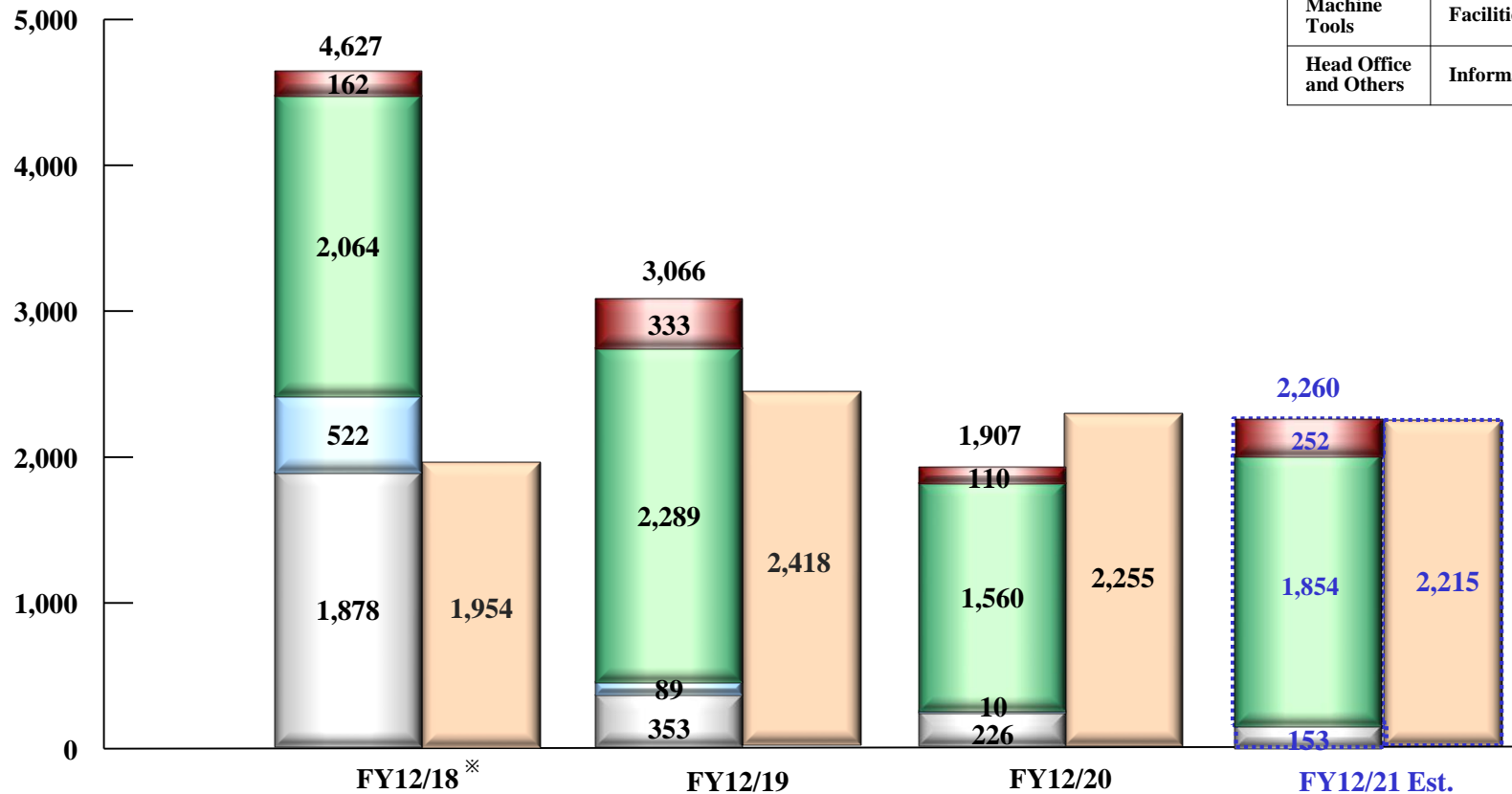
Capital Investment



【Main Capital Investment Plans】

	Breakdown
Special Products	Dies for new models, etc.
Machine Tools	Facilities for replacement and maintenance
Head Office and Others	Information systems related, etc.

(Millions of Yen)



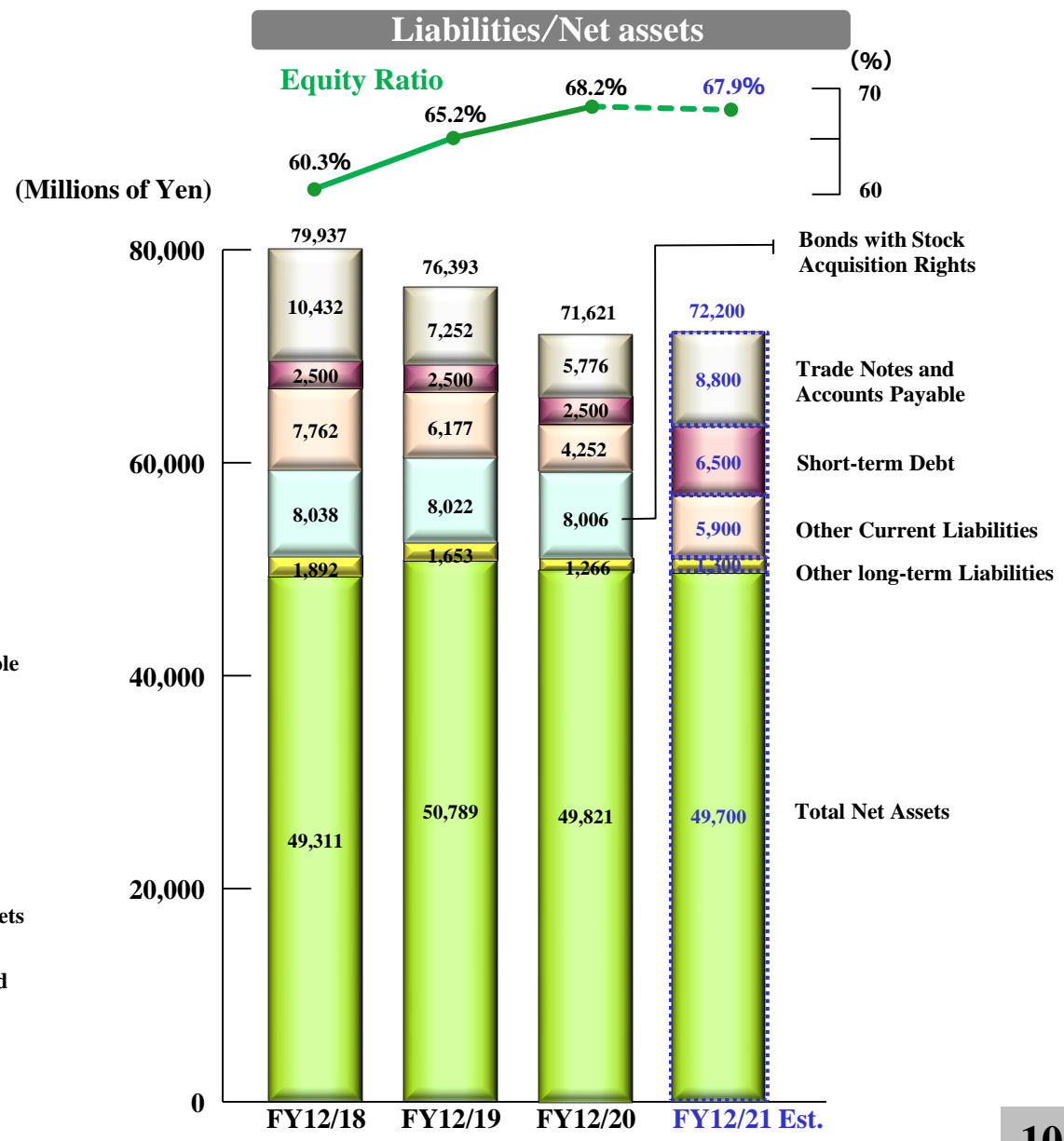
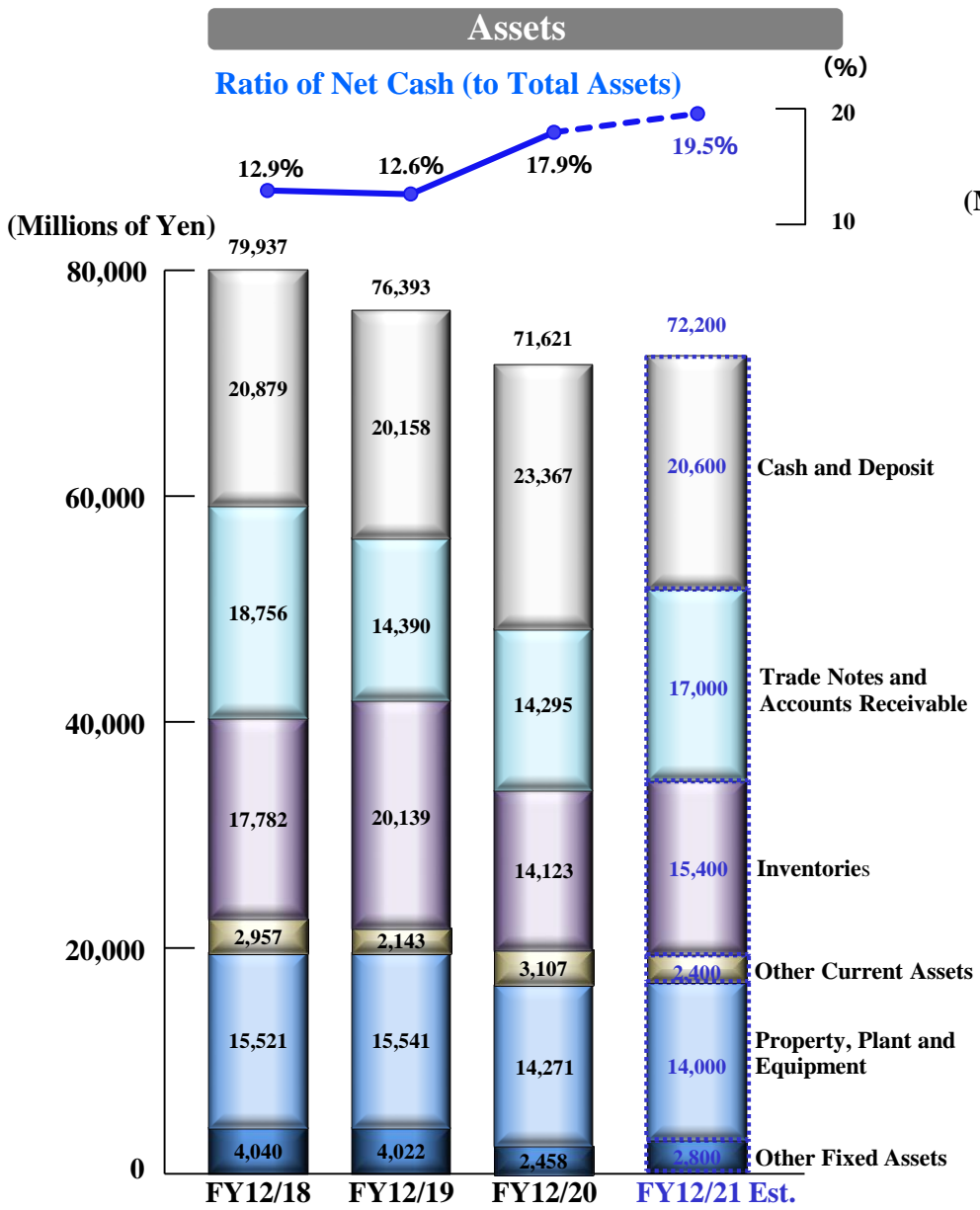
R&D Costs

(Millions of Yen)

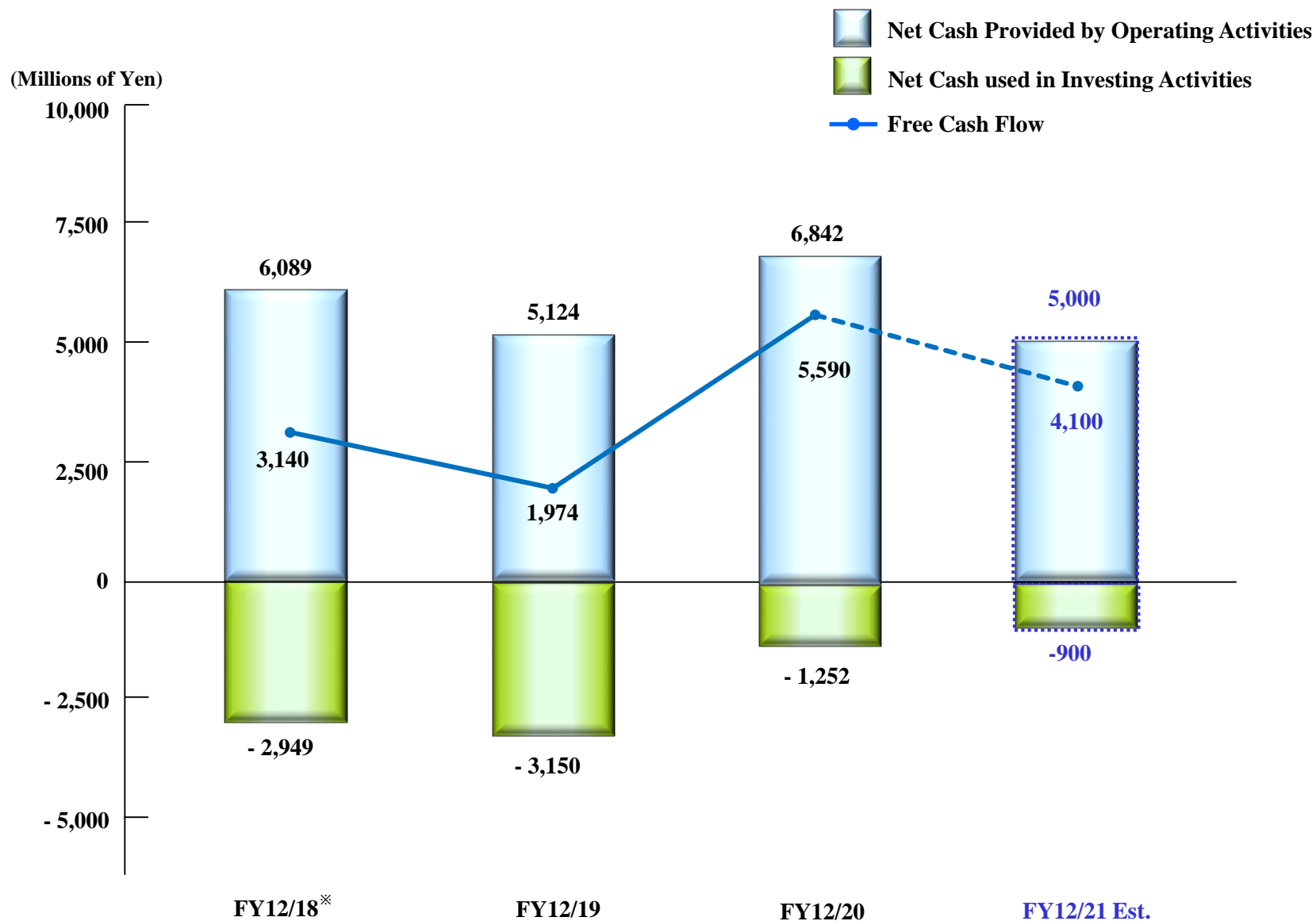
	FY12/18*	FY12/19	FY12/20	FY12/21 Est.
R&D Costs	1,469	1,679	1,470	1,541

※The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

Balance Sheets

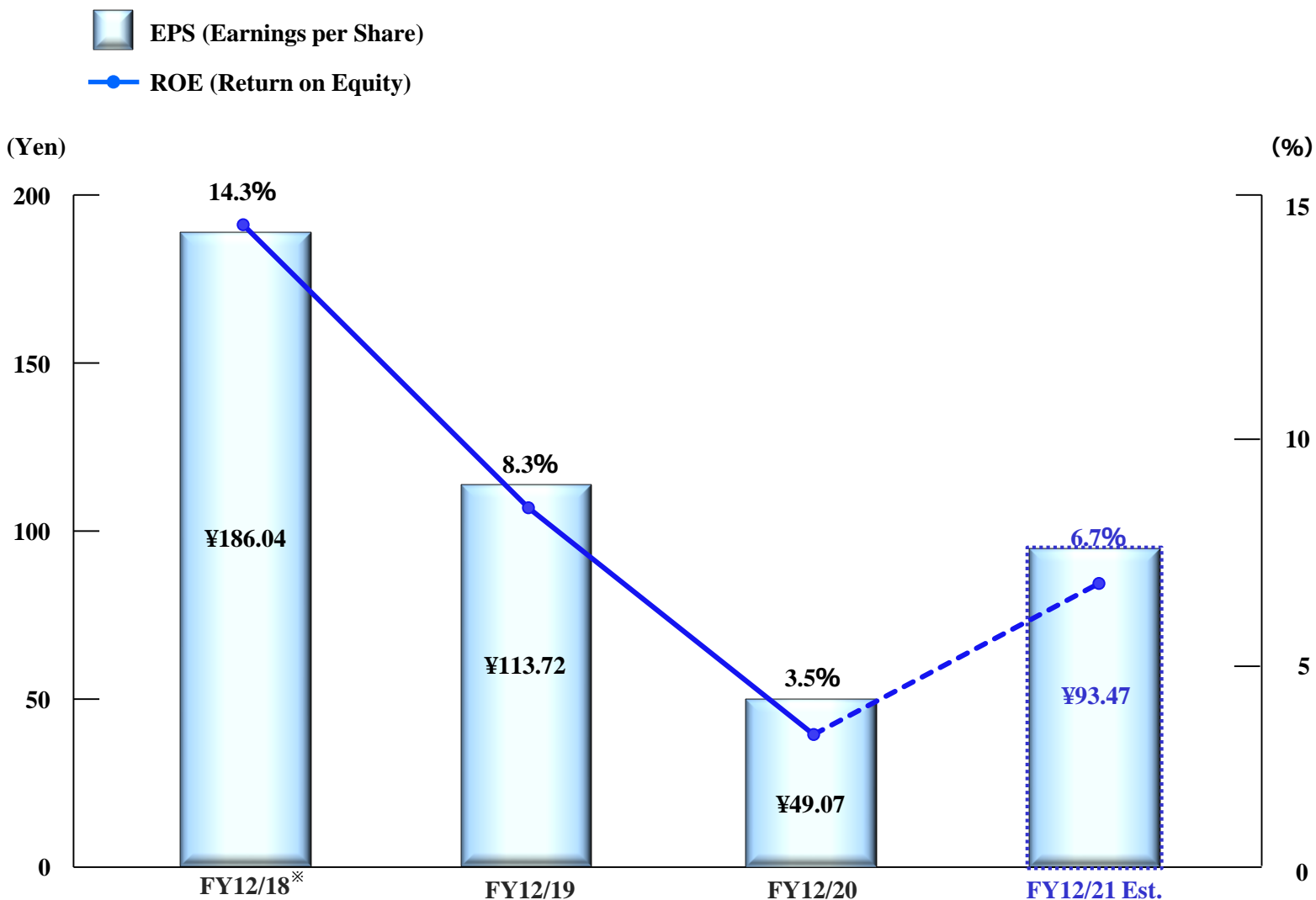


※ Bonds with stock acquisition rights due in June 2021 are reflected in the 12/21 forecast assuming redemption.



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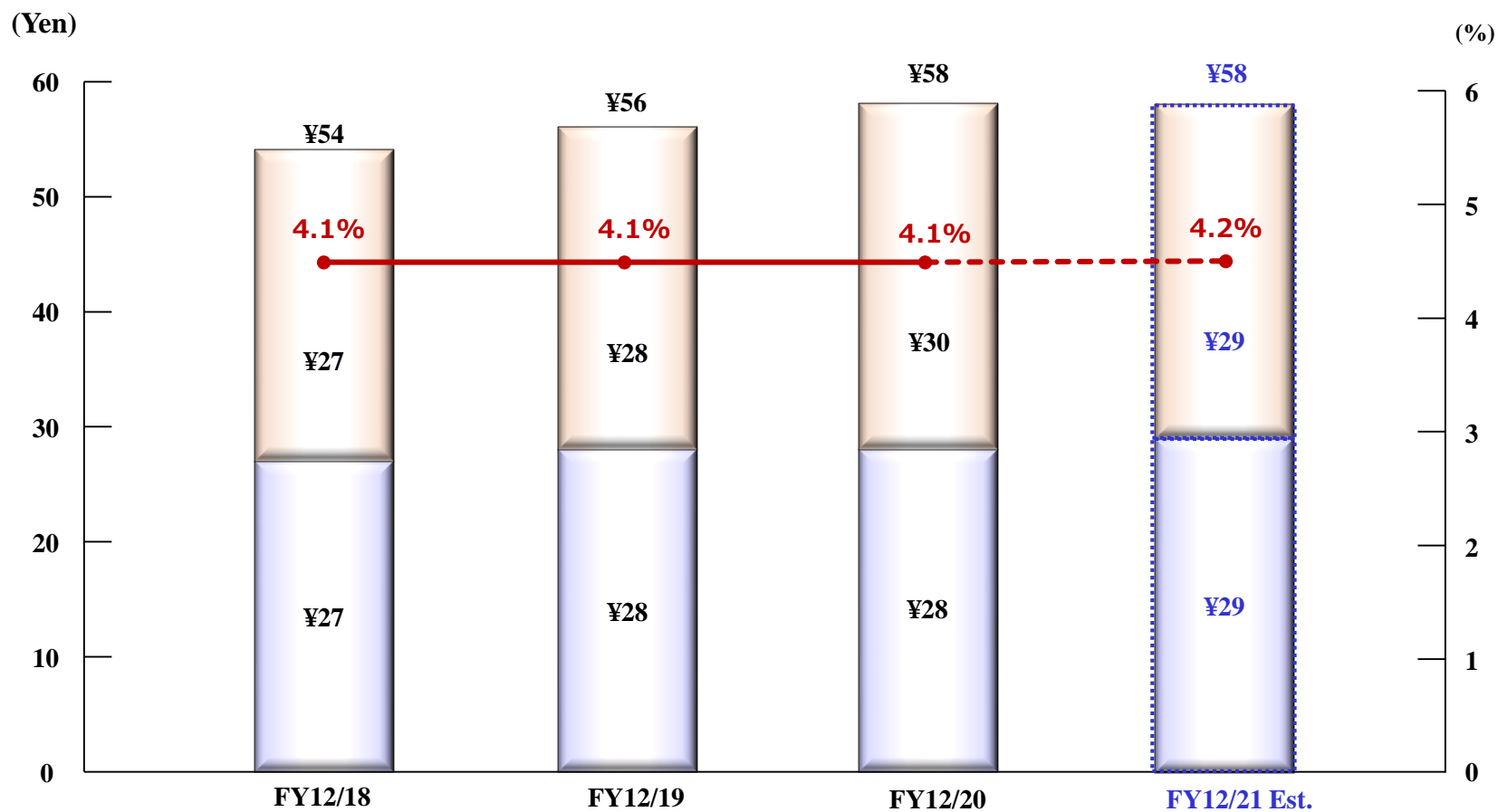
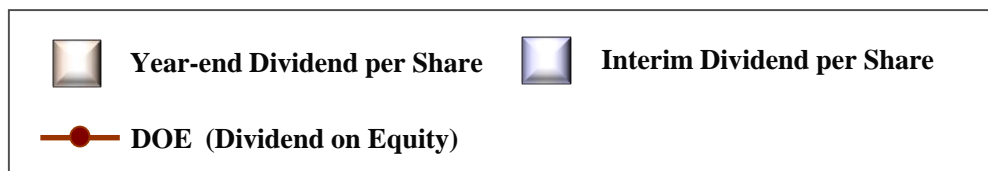
Key Financial Indicators



※The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

Returns to Shareholders

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



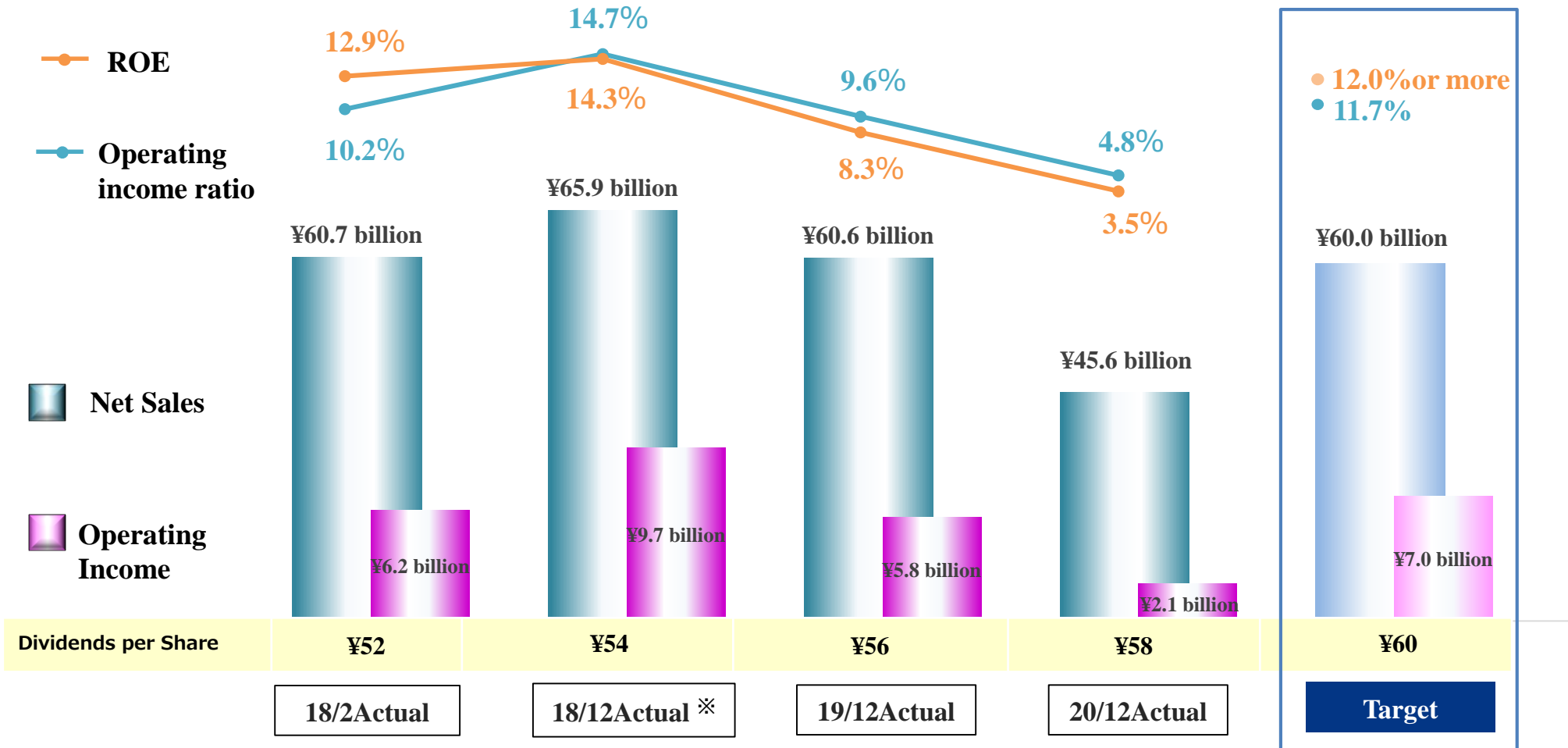
Total Payout Ratio	55.2%	73.8%	118.2%	50% or more
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The Medium-Term Management Plan

Review of the Medium-Term Management Plan 1



Achieved the quantitative targets for both net sales and operating income in the fiscal year ended December 31, 2018
 Fall short for the fiscal year under review due to such factors as declining demand attributable to COVID-19



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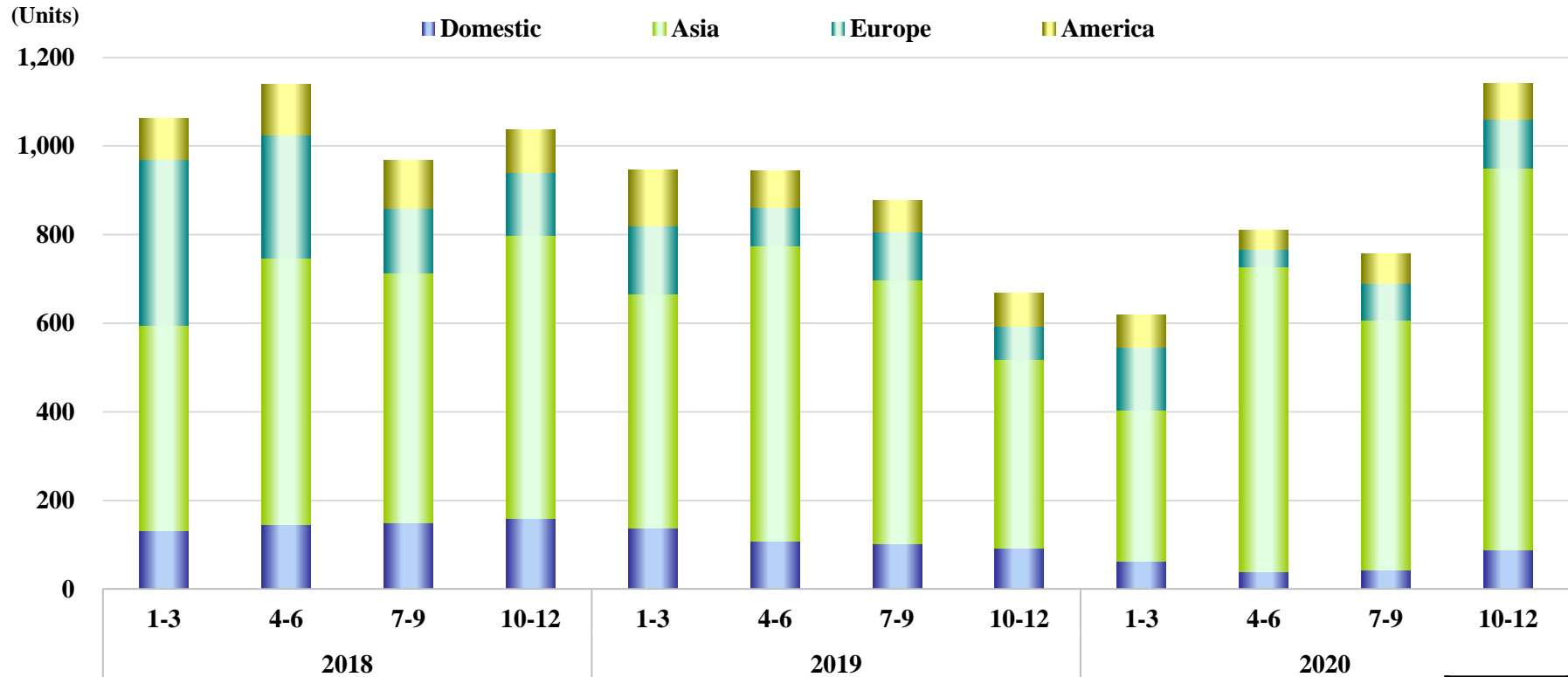
Segment	Strategies (Principal Initiatives)	Achievements and Challenges
Special Products	<ul style="list-style-type: none"> ■ Develop high-value-added products ■ Reorganize sales bases in Europe in light of the U.K.'s impending withdrawal from the European Union ■ Reduce costs by increasing supply chain efficiency 	<ul style="list-style-type: none"> ■ Increase mCollection brand sales while expanding and upgrading the product lineup in the mPOS market ■ Reorganization of the sales structure in Europe ■ Commenced production in Vietnam, worked to reduce costs by expanding production
Machine Tools	<ul style="list-style-type: none"> ■ Release a series of fixed headstock automatic lathes ■ Develop IoT-related software ■ Shorten lead times and reduce inventories through modular design and production ■ Strengthen service systems in China 	<ul style="list-style-type: none"> ■ Commenced sales of an operation monitoring system, continuing to upgrade and expand IoT services ■ Optimized modular design and production ■ Completed construction of a new facility at the Company's Dalian Plant in China, strengthened the production structure for the China market ■ Completed construction of the Solution Center, strengthened before- and after-sales services
Precision Products	<ul style="list-style-type: none"> ■ Cultivate new customers and markets ■ Streamline production and promote automation ■ Increase operating rates utilizing IoT 	<ul style="list-style-type: none"> ■ Undertake an organizational restructure and withdraw from non-wristwatch component operations
New Business	<ul style="list-style-type: none"> ■ M&A and business alliances, etc ■ Vibration Power Generators ■ Cloud Services 	<ul style="list-style-type: none"> ■ Withdraw from the vibration power generation business and review the cloud service business structure and systems ■ Establish the New Business Planning Department ■ Promoted consideration of new business and M&As through external collaboration

Reference

Trends in Quarterly Machine Tool Orders



(Ordered Unit)



	2018				2019				2020			
	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12
America	94	115	109	96	127	82	71	76	74	44	67	80
Europe	375	277	145	141	153	87	108	75	142	37	83	110
Asia	463	602	564	640	529	666	595	425	340	690	563	863
Domestic	131	146	150	159	137	109	102	93	63	38	44	88
Total	1,063	1,140	968	1,036	946	944	876	669	619	809	757	1,141

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)
FY2/12	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	60,772	6,210	10.2	7,015	11.5	5,780	9.5	155.68	12.9	4.3	52.0
FY12/18※	65,939	9,712	14.7	9,570	14.5	6,795	10.3	186.04	14.3	4.1	54.0
FY12/19	60,651	5,817	9.6	6,161	10.2	4,053	6.7	113.72	8.3	4.1	56.0
FY12/20	45,670	2,172	4.8	2,772	6.1	1,731	3.8	49.07	3.5	4.1	58.0
FY12/21(Est.)	52,000	4,200	8.1	4,400	8.5	3,300	6.3	93.47	6.7	4.2	58.0

※The consolidated fiscal period for the fiscal period ended December 31, 2018 is based on and presented for a 10-month period for the Company and consolidated subsidiaries in Japan and a 12-month period for overseas consolidated subsidiaries.

Special Products



Cash Drawer and Receipt Printer
mPOP



POS Printer
mC-Print series



Mobile Printer
SM-L200

Machine Tools



CNC Swiss Type Automatic Lathe
SX-38 type B



CNC Swiss Type Automatic Lathe
SR-20JII type B



CNC Swiss Type Automatic Lathe
SB-16III

Precision Products

Wristwatch Components

