

Fiscal 2021 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 2021 Third-quarter Business Report: November 12, 2021

Scheduled payment of dividends: -

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: None

(Figures less than one million are rounded down)

1. Results for the Third Quarter of Fiscal 2021 (From January 1, 2021 to September 30, 2021)

(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 2021 Third Quarter	45,647	44.3	5,393	429.6	5,540	347.7	4,286	605.6
FY 2020 Third Quarter	31,640	(32.1)	1,018	(78.8)	1,237	(75.1)	607	(81.9)

(Note) Comprehensive income FY 2021 Third Quarter ¥6,159 million [-%] FY 2020 Third Quarter ¥(232) million [-%]

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY 2021 Third Quarter	113.58	105.35
FY 2020 Third Quarter	17.21	14.62

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of September 30, 2021	80,330	60,025	73.9
As of December 31, 2020	71,621	49,821	68.2

Reference: Shareholders' Equity

As of September 30, 2021 ¥59,383 million As of December 31, 2020 ¥48,840 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2020	—	28.00	—	30.00	58.00
FY 2021	—	29.00	—	—	—
FY 2021 (projected)	—	—	—	29.00	58.00

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

3. Consolidated Outlook for the Fiscal Year Ending December 31, 2021 (From January 1, 2021 to December 31, 2021)

(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	62,400	36.6	7,200	231.4	7,400	166.9	5,500	217.6	144.39

(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, 2021	45,091,334 shares	As of December 31, 2020	45,091,334 shares
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(ii) Number of treasury stock at period-end

As of September 30, 2021	5,744,083 shares	As of December 31, 2020	9,787,046 shares
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(iii) Average number of outstanding shares (During the nine months)

As of September 30, 2021	37,737,392 shares	As of September 30, 2020	35,283,815 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. Qualitative Information regarding Quarterly Consolidated Business Performance" on page 2.

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1. Qualitative Information regarding Quarterly Consolidated Business Performance

(1) Explanation of Consolidated Operating Results

Looking at conditions in each of the major markets in which the Star Micronics Group operates during the third quarter of fiscal 2021, the global economy experienced a recovery trend mainly in the manufacturing sector. However, conditions throughout the global economy continued to be increasingly uncertain due to the lingering COVID-19 infections, shortages of components and parts such as semiconductors, and distribution delays. At the same time, demand for POS printers was strong especially in the U.S. market with progress in the pickup in demand for the Group's mainstay machine tools in each market.

Under these circumstances, the Star Micronics Group reported sales of ¥45,647 million for the third quarter of the fiscal year under review, up 44.3% compared with the corresponding period of the previous fiscal year. This was largely due to the substantial increase in sales of machine tools. From a profit perspective, operating income climbed 429.6%, to ¥5,393 million owing mainly to the substantial jump in sales. Ordinary income surged 347.7%, to ¥5,540 million. Net income attributable to owners of parent amounted to ¥4,286 million, up 605.6% year on year.

Performance by segment was as follows:

Effective from the fiscal quarter of fiscal 2021, Star Micronics has changed the classification of its reportable segments. Amounts included in the Precision Products Segment in the segment information for the previous fiscal year are now included in the Machine Tools Segment. For comparative purposes, figures for the corresponding period of the previous fiscal year have been adjusted to reflect the new segment classification.

(Special Products)

Sales of POS printers increased substantially in the U.S. market, due largely to robust sales of printers to the food delivery sector. In the European market, sales were strong, owing mainly to large orders, while sales increased significantly due to robust trends in demand for mPOS applications in the domestic market.

As a result, both sales and profits grew substantially. In specific terms, sales increased 36.4% compared with the corresponding period of the previous fiscal year, to ¥11,991 million. Operating income grew substantially climbing 72.2% year on year, to ¥2,261 million.

(Machine Tools)

Sales of CNC automatic lathes in the U.S. market were increased because of ongoing favorable market conditions across a wide range of industries. In the European and domestic markets, sales were robust on the back of an automotive-related recovery. Turning to the Asian market, sales increased substantially owing to ongoing robust sales of mainly telecommunications- and automotive-related products in China.

Accounting for each of the aforementioned factors, both sales and profits increased substantially. In specific terms, sales grew 47.3% compared with the corresponding period of the previous fiscal year, to ¥33,655 million. Operating income jumped 212.9% year on year, to ¥4,402 million.

(2) Explanation of Financial Position

Total assets as of the end of the third quarter of the current fiscal year stood at ¥80,330 million, an increase of ¥8,708 million compared with the end of the previous fiscal year. Despite a decrease in securities, this increase was largely due to the upswing in inventories as well as cash and deposits. Total liabilities came in at ¥20,304 million, a decrease of ¥1,495 million compared with the previous fiscal year-end. While such accounting line items as trade payables increased, this decrease largely reflected the decline in convertible bonds. Total net assets increased ¥10,203 million compared with the end of the previous fiscal year, to ¥60,025 million. This was mainly due to the increase in capital surplus due to the conversion of convertible bonds and the decrease in treasury stock.

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

Earnings projections for the consolidated full year of fiscal 2021 have been revised from the projections announced on August 10, 2021. Please refer to the disclosure "Notice Regarding Revision to Business Forecasts" issued separately today (November 11, 2021) for details.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of December 31, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	23,367,293	29,229,272
Trade notes and accounts receivable	14,295,774	16,698,053
Securities	1,895,760	200,000
Merchandise and finished goods	8,259,947	9,495,990
Work in process	3,422,980	4,254,288
Raw materials and supplies	2,440,604	2,771,865
Other	1,319,450	1,594,665
Allowance for doubtful accounts	(109,053)	(119,448)
Total current assets	54,892,757	64,124,686
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,991,788	7,593,804
Machinery, equipment and vehicles, net	2,645,922	2,515,973
Tools, furniture and fixtures, net	1,035,799	1,005,833
Land	1,889,231	1,880,111
Lease assets, net	69,832	54,910
Construction in progress	3,982	24,622
Other, net	635,234	607,368
Total property, plant and equipment	14,271,791	13,682,623
Intangible assets		
Other	451,651	411,698
Total intangible assets	451,651	411,698
Investments and other assets		
Investment securities	913,965	769,711
Deferred tax assets	746,929	1,007,871
Other	344,735	333,896
Total investments and other assets	2,005,630	2,111,479
Total non-current assets	16,729,073	16,205,801
Total assets	71,621,831	80,330,488

(Unit: Thousands of yen)

	As of December 31, 2020	As of September 30, 2021
Liabilities		
Current liabilities		
Trade notes and accounts payable	4,509,373	7,549,218
Electronically recorded obligations-operating	1,266,992	3,148,501
Short-term loans payable	2,500,000	2,000,000
Current portion of convertible bonds	8,006,666	—
Lease obligations	28,657	23,805
Income taxes payable	370,143	724,705
Provision for bonuses	694,602	791,217
Provision for directors' bonuses	—	30,000
Other	3,157,642	4,878,825
Total current liabilities	20,534,078	19,146,272
Non-current liabilities		
Lease obligations	47,608	36,514
Net defined benefit liability	706,621	607,762
Other	511,556	514,190
Total non-current liabilities	1,265,786	1,158,467
Total liabilities	21,799,865	20,304,739
Net assets		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	13,058,502	15,145,202
Retained earnings	38,297,686	40,360,110
Treasury stock	(12,076,639)	(7,373,832)
Total shareholders' equity	52,001,489	60,853,419
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,210	93,921
Foreign currency translation adjustments	(3,352,302)	(1,731,782)
Remeasurements of defined benefit plans	163,982	167,490
Total accumulated other comprehensive income	(3,161,109)	(1,470,369)
Stock acquisition rights	428,914	408,937
Noncontrolling interests	552,672	233,760
Total net assets	49,821,965	60,025,748
Total liabilities and net assets	71,621,831	80,330,488

(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)

	Third nine-month period from January 1, 2020 to September 30, 2020, of FY2020	Third nine-month period from January 1, 2021 to September 30, 2021, of FY2021
Net sales	31,640,345	45,647,629
Cost of sales	20,856,117	29,451,833
Gross profit	10,784,227	16,195,795
Selling, general and administrative expenses	9,765,947	10,802,505
Operating income	1,018,280	5,393,290
Non-operating income		
Interest income	119,819	119,989
Foreign exchange gain	28,339	—
Rent income	31,695	30,510
Miscellaneous income	151,141	169,058
Total non-operating income	330,995	319,558
Non-operating expenses		
Interest expense	13,067	12,185
Commission expense	—	10,213
Foreign exchange loss-net	—	119,118
Miscellaneous loss	98,518	30,600
Total non-operating expenses	111,585	172,118
Ordinary income	1,237,689	5,540,730
Extraordinary income		
Gain on sales of non-current assets	143,935	17,181
Gain on liquidation of subsidiaries and associates	—	166,462
Total extraordinary income	143,935	183,643
Extraordinary losses		
Loss on disposal of non-current assets	36,666	13,727
Total extraordinary losses	36,666	13,727
Income before income taxes	1,344,959	5,710,646
Income taxes-current	590,293	1,574,733
Income taxes-deferred	127,265	△189,009
Total income taxes	717,559	1,385,724
Net income	627,400	4,324,922
Net income attributable to noncontrolling interests	20,004	38,892
Net income attributable to owners of the parent	607,395	4,286,030

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

(Unit: Thousands of yen)

	Third nine-month period from January 1, 2020 to September 30, 2020, of FY2020	Third nine-month period from January 1, 2021 to September 30, 2021, of FY2021
Net income	627,400	4,324,922
Other comprehensive income		
Valuation difference on available-for-sale securities	(94,884)	66,711
Foreign currency translation adjustments	(761,780)	1,754,900
Remeasurements of defined benefit plans	(5,613)	3,507
Share of other comprehensive income of entities	2,636	9,662
Total other comprehensive income	(859,641)	1,834,782
Comprehensive income	(232,241)	6,159,704
(Total comprehensive income attributable to:)		
Owners of parent	(236,291)	6,101,401
Noncontrolling interests	4,050	58,303

(3) Notes to Quarterly Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable

(Note on Significant Changes in Shareholders' Equity Accounts)

In the third quarter of the fiscal year under review, the Company retired treasury stock in line with the exercise of convertible bonds. As a result, capital surplus increased ¥2,070,873 thousand and treasury stock decreased ¥5,929,126 thousand.

Furthermore, the Company resolved at its Board of Directors' meeting held on August 23, 2021 to repurchase 807,100 of the company's own shares from August 24, 2021 to September 30, 2021. This lifted 1Q-3Q spending on the repurchasing of the company's own shares by ¥1,282,042 thousand, with the total price for repurchasing shares by the end of third quarter cumulative period of the current fiscal year at ¥7,373,832 thousand.