

## Consolidated Earnings Report for the Fiscal Year Ended December 31, 2021 (Japanese GAAP)

These financial statements have been prepared for reference in accordance with accounting principles and practices generally accepted in Japan.

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange  
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Scheduled annual general meeting of shareholders: March 24, 2022 Scheduled payment of dividends: February 28, 2022  
Scheduled release of FY2021 business report: March 25, 2022  
Preparation of supplementary explanatory materials for earnings report: Yes  
Earnings presentation: Yes

(Figures less than one million are rounded down)

### 1. Consolidated Results for the Fiscal Year Ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

#### (1) Consolidated Operating Results (Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Year Ended December 31, 2021	64,360	40.9	7,415	241.3	7,795	181.1	5,740	231.5
Year Ended December 31, 2020	45,670	(24.7)	2,172	(62.6)	2,772	(55.0)	1,731	(57.3)

(Note) Comprehensive income

Year Ended December 31, 2021 ¥8,834 million [846.3%] Year Ended December 31, 2020 ¥933 million [(78.1)%]

	Net Income per Share	Diluted Net Income per Share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	(¥)	(¥)	%	%	%
Year Ended December 31, 2021	150.83	142.38	10.4	10.1	11.5
Year Ended December 31, 2020	49.07	42.46	3.5	3.7	4.8

Reference: Equity in earnings of affiliated companies

Year Ended December 31, 2021 (¥4 million) Year Ended December 31, 2020 (¥40 million)

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2021	82,360	61,728	74.1	1,576.64
As of December 31, 2020	71,621	49,821	68.2	1,383.41

Reference: Shareholders' Equity

As of December 31, 2021 ¥61,054 million As of December 31, 2020 ¥48,840 million

#### (3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Year-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year Ended December 31, 2021	9,600	740	(7,558)	27,199
Year Ended December 31, 2020	6,842	(1,252)	(2,136)	23,029

### 2. Dividends

	Dividends per Share					Dividends Total (Total)	Dividend Payout Ratio (Consolidated)	Dividend on Equity Ratio (Consolidated)
	1Q End	2Q End	3Q End	Year-End	Full Year			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
FY 2020	—	28.00	—	30.00	58.00	2,047	118.2	4.1
FY 2021	—	29.00	—	29.00	58.00	2,287	38.5	3.9
FY 2022 (Projected)	—	30.00	—	30.00	60.00		35.8	

3. Consolidated Outlook for the Fiscal Year Ending December 31, 2022 (From January 1, 2022 to December 31, 2022)  
(Percentages represent changes over 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)	%	(¥)
Interim term	34,700	24.2	4,400	67.3	4,500	56.7	3,300	56.1	85.90
Full Year	69,100	7.4	8,800	18.7	8,900	14.2	6,400	11.5	167.81

\*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) 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

(3) Number of shares issued and outstanding (Common stock)

(i) Number of shares issued and outstanding at period-end (Including treasury stock)

As of December 31, 2021	44,091,334 shares	As of December 31, 2020	45,091,334 shares
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(ii) Number of treasury stock at period-end

As of December 31, 2021	5,367,223 shares	As of December 31, 2020	9,787,046 shares
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(iii) Average number of outstanding shares

As of December 31, 2021	38,055,778 shares	As of December 31, 2020	35,287,048 shares
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(Reference) Overview of Non-consolidated Financial Results

Non-consolidated Results for the Fiscal Year Ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

(1) Non-consolidated Operating Results

(Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Year Ended December 31, 2021	34,087	53.2	1,806	—	4,585	—	4,311	760.6
Year Ended December 31, 2020	22,251	(39.8)	(1,816)	—	8	(99.8)	501	(85.2)

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended December 31, 2021	113.30	106.91
Year Ended December 31, 2020	14.20	11.87

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of December 31, 2021	56,275	42,739	75.2	1,092.84
As of December 31, 2020	52,599	34,797	65.3	973.49

Reference: Shareholders' Equity

As of December 31, 2021 ¥42,319 million As of December 31, 2020 ¥34,368 million

\* This earnings report is not included in the scope of the audit or the certified public accountant.

\* 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 “(4) Future Outlook” under “1. Overview of Operating Results and Financial Position” on page 3.

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## 1. Overview of Operating Results and Financial Position

### (1) Overview of Operating Results for the Year Ended December 31, 2021

Looking at the fiscal year under review, economic conditions was on a recovery trend in general. Under the influence of the COVID-19 infections, this was the result of widespread of vaccination and economic policies of each country while there were outbreak of new variants, shortages of components and parts such as semiconductors, and distribution delays. In Asia, economy has generally stayed firm in China. Despite concerns of re-expansion of the infection turnaround in the U.S. and Europe, trends progressed toward a steady recovery. On the domestic front, there were also indications of improvement, in spite of a weakness in a part.

In each of the major markets in which the Star Micronics Group operates, a sharp increase in demand for the Group's mainstay machine tools overseas and in Japan was seen, and demand for POS printers was strong especially in the U.S. market.

Under these circumstances, the Star Micronics Group reported sales of ¥64,360 million for the fiscal year under review, up 40.9% 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 241.3%, to ¥7,415 million owing mainly to the substantial jump in sales. Ordinary income surged 181.1%, to ¥7,795 million. Net income attributable to owners of parent amounted to ¥5,740 million, up 231.5% year on year.

Performance by segment was as follows:

Effective from 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 mPOS and 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 32.8% compared with the corresponding period of the previous fiscal year, to ¥15,569 million. Operating income grew substantially climbing 47.7% year on year, to ¥2,282 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 43.7% compared with the corresponding period of the previous fiscal year, to ¥48,790 million. Operating income jumped 154.2% year on year, to ¥6,857 million.

### (2) Overview of Financial Position for the Year Ended December 31, 2021

Total assets as of the end of the fiscal year under review stood at ¥82,360 million, an increase of ¥10,738 million compared with the end of the previous fiscal year. Despite a decrease in securities, this increase was largely due to the upswing in trade receivables as well as cash and deposits and inventories. Total liabilities came in at ¥20,632 million, a decrease of ¥1,167 million compared with the previous fiscal year. While such accounting line items as trade payables increased, this decrease largely reflected the decline in convertible bonds. Total net assets increased ¥11,906 million compared with the end of the previous fiscal year, to ¥61,728 million. This was mainly due to the decrease in treasury stock owing to conversion of convertible bonds and the increase in retained earnings.

### (3) Overview of Cash Flows for the Year Ended December 31, 2021

Cash and cash equivalents as of the end of the fiscal year under review were ¥27,199 million, an increase of ¥4,169 million compared with the previous fiscal year-end. This was the result of net cash provided by operating and investing activities of ¥9,600 million and ¥740 million, respectively, and partially offset by net cash used in financing activities of ¥7,558 million, and the addition of a translation adjustment on cash and cash equivalents.

#### (Operating Activities)

Net cash provided by operating activities totaled ¥9,600 million (¥6,842 million for the previous fiscal term). While the principal cash outflows were increase in trade receivables and inventories, the major cash inflows reflected the income before income taxes and increase in trade payables.

(Investing Activities)

Net cash provided by investing activities came to ¥740 million, a positive turnaround from ¥1,252 million used in the previous fiscal year. The principal cash inflow was from decrease in short-term investments. The major cash outflow was for purchases of property, plant and equipment.

(Financing Activities)

Net cash used in financing activities totaled ¥7,558 million (¥2,136 million for the previous fiscal term) owing to decrease in short-term bank loans, payments for purchase of treasury stock, and dividends paid.

(Reference) Trends in Cash Flow Related Indices

	FY2 2018	FY12 2018	FY12 2019	FY12 2020	FY12 2021
Equity Ratio (%)	60.1	60.3	65.2	68.2	74.1
Market Value Basis Equity Ratio (%)	105.4	66.9	72.7	81.5	72.8
Debt / Cash Flow Ratio (Years)	0.3	0.4	0.6	0.4	0.1
Interest Coverage Ratio (Times)	—	949.9	316.6	351.8	512.4

Equity Ratio : Shareholders Equity / Total Assets  
Market Value Basis Equity Ratio : Market Capitalization / Total Assets  
Debt / Cash Flow Ratio : Debt / Cash Flows  
Interest Coverage Ratio : Cash Flows / Interest Payments

(Note)

- 1 Calculation based on the consolidated basis financial figures.
- 2 Market capitalization is calculated by multiplying the closing price as of the end of the fiscal year by the total number of shares issued and outstanding (excluding treasury stock).
- 3 “Cash flow” uses the net cash provided by operating activities.
- 4 “Interest-bearing liabilities” comprises all the liabilities recorded on the consolidated balance sheet for which interest must be paid.
- 5 Interest coverage ratio data has been omitted for the fiscal year ended February 28, 2018 because the amount of interest paid is insignificant.

**(4) Future Outlook**

While COVID-19 shows continually no sign of abating due to an appearance of new variants, expectations surrounding the widespread use of vaccines and additional economic stimulus measures implemented by each country continue to mount. Despite these positive factors, conditions throughout the global economy going forward remain clouded in uncertainty, owing to concerns about the impact of shortages of components and parts such as semiconductors and soaring raw materials price due to a sudden demand, and distribution delays in each region.

Under these circumstances, and in the context of the Company’s consolidated business performance for the coming fiscal year, sales in the mainstay Machine Tools Segment are forecast to increase. This is mainly due to robust capital investment demand in markets overseas and in Japan. In the Special Products Segment, while a high demand for mPOS due to a spread of mobile devices and food delivery which market has grown under COVID-19 crisis continued largely in each region, sales are forecast to decrease owing to shortages of components and parts such as semiconductors.

Taking into account the aforementioned factors, our outlook for consolidated results in the coming fiscal year is sound. In specific terms, we expect an upswing in net sales of 7.4% compared with the fiscal year under review, to ¥69,100 million. On a year-on-year basis, operating income is forecast to expand 18.7%, to ¥8,800 million, ordinary income to climb 14.2%, to ¥8,900 million and net income attributable to owners of parent to also increase 11.5%, to ¥6,400 million in next fiscal year.

Forecasts are based on the assumptions that the yen/US dollar exchange rate will be JPY110 and the yen/Euro exchange rate will be JPY125.

#### **(5) Basic Dividend Policy and Dividends for This Fiscal Year and the Next Fiscal Year**

Star Micronics positions the return and distribution of profits to shareholders as an important management priority. The Company intends to implement this basic policy while taking into consideration dividend on equity (DOE) and a target total payout ratio of at least 50% including the repurchase of own shares.

In accordance with this policy, the Company will set its fiscal period-end dividend at ¥29 per share.

Consequently, the annual dividend, including a ¥29 per share interim dividend, for the fiscal period ended December 31, 2021 will be ¥58 per share.

The Company developed the medium-term management plan from next fiscal year to the fiscal year ended December 31, 2024. Star Micronics will implement its basic dividend policy that the Company will set its annual dividend at ¥60 or more per share basically and a target total consolidated payout ratio of at least 50% including the repurchases of own shares. Turning to the payment of dividends for the next fiscal year, Star Micronics is looking to pay an interim and fiscal year-end dividend of ¥30 per share each, for the fiscal year ending December 31, 2022 for an annual dividend of ¥60 per share, a ¥2 per share increase compared with the fiscal period under review.

As far as the Company's internal reserves are concerned, Star Micronics is committed to enhancing its corporate value while increasing shareholders' profits. At the same time, the Company will look to engage in a variety of activities including investment in future growth fields in a bid to ensure its sustainable growth.

#### **2. Basic Policy regarding the Selection of Accounting Standards**

Taking into consideration comparability of consolidated financial statements between periods and between companies, the policy of the Star Micronics Group is to prepare consolidated financial statements according to Japanese accounting standards for the foreseeable future.

We will address the application of International Financial Reporting Standards as appropriate, taking into account conditions in Japan and other countries.

### 3. Consolidated Financial Statements and Major Notes

#### (1) Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	23,367,293	27,575,626
Trade notes and accounts receivable	14,295,774	18,553,333
Securities	1,895,760	—
Merchandise and finished goods	8,259,947	9,558,322
Work in process	3,422,980	4,620,202
Raw materials and supplies	2,440,604	3,644,476
Other	1,319,450	1,891,617
Allowance for doubtful accounts	(109,053)	(136,868)
<b>Total current assets</b>	<b>54,892,757</b>	<b>16,653,847</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,086,783	15,327,895
Accumulated depreciation	(7,094,995)	(7,820,383)
Buildings and structures, net	7,991,788	7,507,511
Machinery, equipment and vehicles	12,264,429	12,586,286
Accumulated depreciation	(9,618,506)	(10,124,114)
Machinery, equipment and vehicles, net	2,645,922	2,462,171
Tools, furniture and fixtures	7,809,187	8,298,741
Accumulated depreciation	(6,773,388)	(7,225,078)
Tools, furniture and fixtures, net	1,035,799	1,073,662
Land	1,889,231	1,892,487
Lease assets	158,787	153,471
Accumulated depreciation	(88,954)	(79,387)
Lease assets, net	69,832	74,083
Construction in progress	3,982	175,143
Other	893,005	1,506,969
Accumulated depreciation	(257,770)	(382,941)
Other, net	635,234	1,124,027
<b>Total property, plant and equipment</b>	<b>14,271,791</b>	<b>14,309,087</b>
Intangible assets		
Other	451,651	415,966
<b>Total intangible assets</b>	<b>451,651</b>	<b>415,966</b>
Investments and other assets		
Investment securities	913,965	946,639
Deferred tax assets	746,929	598,718
Other	344,735	383,435
<b>Total investments and other assets</b>	<b>2,005,630</b>	<b>1,928,793</b>
<b>Total Non-current assets</b>	<b>16,729,073</b>	<b>16,653,847</b>
<b>Total assets</b>	<b>71,621,831</b>	<b>82,360,558</b>

(Unit: Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	4,509,373	8,151,499
Electronically recorded obligations-operating	1,266,992	3,816,185
Short-term loans payable	2,500,000	—
Current portion of convertible bonds	8,006,666	—
Lease obligations	28,657	27,547
Income taxes payable	370,143	811,083
Provision for bonuses	694,602	1,100,165
Other	3,157,642	5,597,862
Total current liabilities	20,534,078	65,706,710
Non-current liabilities		
Lease obligations	47,608	53,697
Net defined benefit liability	706,621	130,198
Other	511,556	944,121
Total non-current liabilities	1,265,786	1,128,017
<b>Total liabilities</b>	<b>21,799,865</b>	<b>20,632,360</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	13,058,502	13,854,202
Retained earnings	38,297,686	41,814,173
Treasury stock	(12,076,639)	(7,066,934)
Total shareholders' equity	52,001,489	61,323,380
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	27,210	84,406
Foreign currency translation adjustments	(3,352,302)	(830,454)
Remeasurements of defined benefit plans	163,982	476,837
Total accumulated other comprehensive income	(3,161,109)	(269,210)
Stock acquisition rights	428,914	420,462
Noncontrolling interests	552,672	253,566
<b>Total net assets</b>	<b>49,821,965</b>	<b>61,728,198</b>
<b>Total liabilities and net assets</b>	<b>71,621,831</b>	<b>82,360,558</b>



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

(Unit: Thousands of yen)

	As of December 31, 2020 (From January 1, 2020 to December 31, 2020)	As of December 31, 2021 (From January 1, 2021 to December 31, 2021)
Net sales	45,670,513	64,360,079
Cost of sales	30,348,813	41,756,393
Gross profit	15,321,699	22,603,686
Selling, general and administrative expenses	13,148,771	15,188,197
Operating income	2,172,928	7,415,488
Non-operating income		
Interest income	176,664	158,579
Gain on reversal of stock acquisition rights	30,089	54,131
Foreign exchange gains	265,973	—
Rent income	42,457	40,876
Miscellaneous income	162,489	204,389
Total non-operating income	677,674	457,977
Non-operating expenses		
Interest expense	19,870	18,767
Commission expense	—	10,213
Loss on valuation of investment securities	—	22,700
Foreign exchange loss-net	—	1,981
Miscellaneous loss	58,054	24,470
Total non-operating expenses	77,925	78,132
Ordinary income	2,772,677	7,795,332
Extraordinary income		
Gain on sales of non-current assets	152,211	19,645
Gain on liquidation of subsidiaries and associates	—	164,861
Total extraordinary income	152,211	184,506
Extraordinary losses		
Loss on disposal of non-current assets	37,195	15,854
Total extraordinary losses	37,195	15,854
Income before income taxes	2,887,692	7,963,984
Income taxes-current	1,011,575	2,061,298
Income taxes-deferred	119,663	112,219
Total income taxes	1,131,238	2,173,518
Net income	1,756,453	5,790,466
Net income attributable to noncontrolling interests	24,752	50,373
Net income attributable to owners of the parent	1,731,701	5,740,092

## (Consolidated Statement of Comprehensive Income)

(Unit: Thousands of yen)

	As of December 31, 2020 (From January 1, 2020 to December 31, 2020)	As of December 31, 2021 (From January 1, 2021 to December 31, 2021)
Net income	1,756,453	5,790,466
Other comprehensive income		
Valuation difference on available-for-sale securities	(88,429)	57,196
Foreign currency translation adjustments	(784,742)	2,662,373
Remeasurements of defined benefit plans	51,996	312,854
Share of other comprehensive income of entities accounted for using equity method	(1,650)	11,842
Total other comprehensive income	(882,826)	3,044,265
Comprehensive income	933,627	8,834,732
(Total comprehensive income attributable to:)		
Owners of parent	914,551	8,756,622
Noncontrolling interests	19,075	78,109

**(3) Consolidated Statement of Changes in Equity**

Fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Unit : Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at beginning of current period	12,721,939	13,050,481	38,541,041	(12,144,398)	52,169,063
Changes of items during period					
Cash dividends			(1,975,056)		(1,975,056)
Net income attributable to owners of parent			1,731,701		1,731,701
Purchase of treasury stock				(233)	(233)
Disposal of treasury stock		8,021		67,993	76,015
Net changes of items other than shareholders' equity					
Net change in the year	—	8,021	(243,355)	67,759	(167,574)
Balance at end of current period	12,721,939	13,058,502	38,297,686	(12,076,639)	52,001,489

	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	115,639	(2,571,586)	111,986	(2,343,960)	421,487	542,947	50,789,538
Changes of items during period							
Cash dividends							(1,975,056)
Net income attributable to owners of parent							1,731,701
Purchase of treasury stock							(233)
Disposal of treasury stock							76,015
Net changes of items other than shareholders' equity	(88,429)	(780,716)	51,996	(817,149)	7,426	9,724	(799,998)
Net change in the year	(88,429)	(780,716)	51,996	(817,149)	7,426	9,724	(967,572)
Balance at end of current period	27,210	(3,352,302)	163,982	(3,161,109)	428,914	552,672	49,821,965

Fiscal year ended December 31, 2021 (From January 1,2021 to December 31, 2021)

(Unit : Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance at beginning of current period	12,721,939	13,058,502	38,297,686	(12,076,639)	52,001,489
Changes of items during period					
Cash dividends			(2,223,605)		(2,223,605)
Net income attributable to owners of parent			5,740,092		5,740,092
Purchase of treasury stock				(2,266,646)	(2,266,646)
Disposal of treasury stock		15,826		56,224	72,050
Conversion of convertible bonds		2,070,873		5,929,126	8,000,000
Retirement of treasury stock		(1,291,000)		1,291,000	—
Net changes of items other than shareholders' equity					
Net change in the year	—	795,699	3,516,486	5,009,704	9,321,891
Balance at end of current period	12,721,939	13,854,202	41,814,173	(7,066,934)	61,323,380

	Accumulated other comprehensive income				Stock Acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	27,210	(3,352,302)	163,982	(3,161,109)	428,914	552,672	49,821,965
Changes of items during period							
Cash dividends							(2,223,605)
Net income attributable to owners of parent							5,740,092
Purchase of treasury stock							(2,266,646)
Disposal of treasury stock							72,050
Conversion of convertible bonds							8,000,000
Retirement of treasury stock							—
Net changes of items other than shareholders' equity	57,196	2,521,848	312,854	2,891,898	(8,451)	(299,105)	2,584,341
Net change in the year	57,196	2,521,848	312,854	2,891,898	(8,451)	(299,105)	11,906,232
Balance at end of current period	84,406	(830,454)	476,837	(269,210)	420,462	253,566	61,728,198

**(4) Consolidated Statements of Cash Flows**

(Unit: Thousands of yen)

	As of December 31, 2020 (From January 1, 2020 to December 31, 2020)	As of December 31, 2021 (From January 1, 2021 to December 31, 2021)
<b>Operating activities</b>		
Income before income taxes	2,887,692	7,963,984
Depreciation and amortization	2,255,193	2,126,819
Gain on liquidation of subsidiaries and associates	—	(164,861)
Gain on reversal of stock acquisition rights	(30,089)	(54,131)
Commission expense	—	10,213
Loss (gain) on valuation of investment securities	(13,580)	22,700
Increase (decrease) in allowance for doubtful receivables	(3,427)	17,651
Decrease in net defined benefit liability	(141,230)	(130,313)
Interest and dividends income	(178,403)	(172,452)
Interest expenses	19,870	18,767
Gain on sales of property, plant and equipment	(152,211)	(19,645)
Loss on disposal of property, plant and equipment	37,195	15,854
Increase in trade receivables	(217,566)	(2,474,566)
(Increase) decrease in inventories	5,832,294	(3,044,850)
Increase (decrease) in trade payables	(1,463,085)	6,008,946
Other-net	(455,626)	810,570
Subtotal	8,377,026	10,934,688
Interest and dividends income received	162,821	167,162
Interest expenses paid	(19,448)	(18,735)
Extra retirement payments	(350,428)	—
Income taxes refund	311,874	329,156
Income taxes paid	(1,639,066)	(1,811,347)
Net cash provided by operating activities	6,842,777	9,600,924
<b>Investing activities</b>		
Decrease (increase) in short-term investments	(600,000)	1,100,000
Purchase of securities	(200,000)	—
Proceeds from sales of securities	100,000	1,000,000
Purchases of property, plant and equipment	(1,954,983)	(1,051,912)
Proceeds from sales of property, plant and equipment	1,092,540	23,767
Purchases of investment securities	—	(600,000)
Proceeds from sales of investment securities	500,000	409,373
Payments into time deposits	(6,130)	(359,490)
Proceeds from withdrawal of time deposits	—	358,370
Other-net	(184,018)	(139,625)
Net cash provided by (used in) investing activities	(1,252,591)	740,481
<b>Financing activities</b>		
Decrease in short-term bank loans	—	(2,500,000)
Repayments of finance lease obligations	(34,910)	(29,158)
Payments for purchase of treasury stock	(233)	(2,268,912)
Disposal of treasury stock	20,663	14,276
Dividends paid to shareholders	(1,977,369)	(2,222,866)
Dividends paid to noncontrolling shareholders of consolidated subsidiaries	(9,351)	(231,640)
Repayments to noncontrolling shareholders	—	(147,028)
Other-net	(134,949)	(173,360)
Net cash used in financing activities	(2,136,152)	(7,558,690)
Foreign currency translation adjustments on cash and cash equivalents	(231,642)	1,386,909
Net increase in cash and cash equivalents	3,222,391	4,169,624
Cash and cash equivalents at beginning of year	19,807,028	23,029,420
Cash and cash equivalents at end of year	23,029,420	27,199,045

## (5) Notes to Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable

(Segment Information)

### 1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Star Micronics is comprised of the Special Products, and Machine Tools segments. These two reporting segments are configured on a business division basis by products and services.

The Special Products Segment engages in the manufacture and sale of point-of-sale (POS) printers. The Machine Tools Segment undertakes the manufacture and sale of machine tools including CNC automatic lathes.

### 2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each Reportable segment

The accounting method for reportable business segments is consistent with the accounting method use to prepare consolidated financial statements.

Figures for income in reportable segment are on an operating income basis.

### 3. Information about sales, profit (loss), assets, liabilities and other items

Fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Unit: Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Consolidated Financial Statement Amounts (Note 2)
	Special Products	Machine Tools	Total		
Sales					
Sales to external customers	11,720,585	33,949,927	45,670,513	—	45,670,513
Intersegment sales or transfers	—	—	—	—	—
Total	11,720,585	33,949,927	45,670,513	—	45,670,513
Segment profit	1,545,810	2,697,580	4,243,390	(2,070,462)	2,172,928
Segment assets	9,980,729	46,750,740	56,731,470	14,890,360	71,621,831
Other items:					
Depreciation	352,478	1,619,719	1,972,198	282,995	2,255,193
Investments in associates	223,134	—	223,134	—	223,134
Increase in property, plant and equipment and intangible assets	110,683	1,570,283	1,680,967	226,689	1,907,656

Notes:

1. Adjustments were made as follows.

(1) 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.

(2) Adjustments to segment assets represent corporate assets that are not allocated to a particular reporting segment. Corporate assets mainly comprise surplus funds (cash and deposits) as well as assets relating to the Company's administration department.

(3) Reconciliations recorded for depreciation include depreciation incurred by corporate assets that are not allocated to any reportable segment.

(4) Reconciliations recorded for increase in property, plant and equipment and intangible assets are capital investments principally for corporate assets that are not allocated to any reportable segment.

2. Segment profit agrees with operating profit in the accompanying consolidated statement of income.

Fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

(Unit: Thousands of yen)

	Reportable Segment			Adjustments (Note 1)	Consolidated Financial Statement Amounts (Note 2)
	Special Products	Machine Tools	Total		
Sales					
Sales to external customers	15,569,772	48,790,307	64,360,079	—	64,360,079
Intersegment sales or transfers	—	—	—	—	—
Total	15,569,772	48,790,307	64,360,079	—	64,360,079
Segment profit	2,282,941	6,857,777	9,140,719	(1,725,230)	7,415,488
Segment assets	12,536,871	55,790,879	68,327,750	14,032,808	82,360,558
Other items:					
Depreciation	338,316	1,549,419	1,887,735	239,084	2,126,819
Investments in associates	229,428	—	229,428	—	229,428
Increase in property, plant and equipment and intangible assets	181,685	1,667,015	1,848,701	77,214	1,925,915

Notes:

1. Adjustments were made as follows.

(1) 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.

(2) Adjustments to segment assets represent corporate assets that are not allocated to a particular reporting segment. Corporate assets mainly comprise surplus funds (cash and deposits) as well as assets relating to the Company's administration department.

(3) Reconciliations recorded for depreciation include depreciation incurred by corporate assets that are not allocated to any reportable segment.

(4) Reconciliations recorded for increase in property, plant and equipment and intangible assets are capital investments principally for corporate assets that are not allocated to any reportable segment.

2. Segment profit agrees with operating profit in the accompanying consolidated statement of income.

#### 4. Changes in reportable segments

Effective the fiscal year ended December 31, 2021, Star Micronics has changed the classification of its reportable segments from three reportable segments: "Special Products," "Machine Tools," and "Precision Products" to two reportable segments: "Special Products," and "Machine Tools" as the Company reconsidered operating segments due to a decision to discontinue the Precision Products Division of the Company in the previous fiscal year.

For comparative purposes, figures of "Precision Products" segment for the corresponding period of the previous fiscal year have been included in "Machine Tools" segment.

## (Per Share Information)

	FY12/2020 (From January 1, 2020 to December 31, 2020)	FY12/2021 (From January 1, 2021 to December 31, 2021)
Net assets per share	¥1,383.41	¥1,576.64
Net income per share	¥49.07	¥150.83
Diluted net income per share	¥42.46	¥142.38

Notes: Basis for calculations of Net assets per share and Diluted net income per share are as follows.

	FY12/2020 (From January 1, 2020 to December 31, 2020)	FY12/2021 (From January 1, 2021 to December 31, 2021)
Net income per share		
Net income attributable to owners of parent (¥ thousand)	1,731,701	5,740,092
Value not attributed to common stock (¥ thousand)	—	—
Net income attributable to common shareholders (¥ thousand)	1,731,701	5,740,092
Average number of outstanding shares (shares)	35,287,048	38,055,778
Diluted net income per share		
Net income adjustments attributable to parent company shareholders (¥ thousand)	(23,633)	(6,666)
[Interest income (¥ thousand)]	[(16,000)]	[(6,666)]
[Handling fees (¥ thousand)]	[(7,633)]	[—]
The number of shares of common stock increase (shares)	4,945,133	2,212,809
[Convertible bonds (shares)]	[4,771,276]	[1,975,449]
[Stock acquisition rights (shares)]	[173,857]	[237,360]
Descriptions of potentially dilutive common shares that were not included in the computation of Diluted net income per share because of their anti-dilutive effect	The 9th stock acquisition rights as ordinary stock options (133,000 shares) The 11th stock acquisition rights as ordinary stock options (136,000 shares) The 12th stock acquisition rights as ordinary stock options (166,000 shares) The 13th stock acquisition rights as ordinary stock options (161,000 shares)	The 11th stock acquisition rights as ordinary stock options (136,000 shares) The 12th stock acquisition rights as ordinary stock options (166,000 shares) The 13th stock acquisition rights as ordinary stock options (161,000 shares) The 15th stock acquisition rights as ordinary stock options (141,000 shares)

## (Significant Subsequent Events)

Not applicable