

Fiscal 2022 First-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.

Company name: Star Micronics Co., Ltd. Stock listing: Tokyo Stock Exchange
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Scheduled release of Fiscal 2022 First-quarter Business Report: May 13, 2022
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 First Quarter of Fiscal 2022 (From January 1, 2022 to March 31, 2022)

(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 2022 First Quarter	17,539	37.1	2,412	112.2	2,615	112.5	1,827	84.4
FY 2021 First Quarter	12,791	19.5	1,136	121.9	1,230	391.1	991	—

(Note) Comprehensive income FY 2022 First Quarter ¥3,673 million [40.3%] FY 2021 First Quarter ¥2,619 million [—%]

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY 2022 First Quarter	47.42	47.17
FY 2021 First Quarter	28.07	24.28

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of March 31, 2022	86,484	64,252	73.5
As of December 31, 2021	82,360	61,728	74.1

Reference: Shareholders' Equity

As of March 31, 2022 ¥63,564 million As of December 31, 2021 ¥61,054 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2021	—	29.00	—	29.00	58.00
FY 2022	—				
FY 2022(projected)		30.00	—	30.00	60.00

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

3. Consolidated Outlook for the Fiscal Year Ending December 31, 2022 (From January 1, 2022 to December 31, 2022)

(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)	%	(¥)
Interim term	34,700	24.2	4,400	67.3	4,500	56.7	3,300	56.1	85.97
Full Year	69,100	7.4	8,800	18.7	8,900	14.2	6,400	11.5	168.55

(Note) Changes to the latest consolidated results forecast announced: None

*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: Yes
 - (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 March 31, 2022	43,465,134 shares	As of December 31, 2021	44,091,334 shares
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(ii) Number of treasury stock at period-end

As of March 31, 2022	4,908,951 shares	As of December 31, 2021	5,367,223 shares
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(iii) Average number of outstanding shares (During the three months)

As of March 31, 2022	38,550,241 shares	As of March 31, 2021	35,304,268 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

1. 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.

2. STAR MICRONICS CO., LTD. resolved at a Board of Directors' meeting held on May 11, 2022 to repurchase and retire its own shares. As a result, steps have been taken to factor in the impact of this repurchase and retirement of own shares on net income per share in the Company's consolidated outlook for the fiscal year ending December 31, 2022. Please refer to the press release "Notice Regarding Repurchase and Retirement of Own Shares" issued separately on May 11, 2022 for details.

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1. Qualitative Information regarding Quarterly Consolidated Business Performance

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the first quarter of the fiscal year under review.

Please refer to "(3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" under "2. Quarterly Consolidated Financial Statements and Major Notes" on page 7 for details.

(1) Explanation of Consolidated Operating Results

During the first quarter of fiscal 2022, the fiscal year ending December 31, 2022, the global economy was generally on a recovery trajectory. Despite this recovery, economic conditions remained uncertain due to a variety of factors including the resurgence of new COVID-19 variants, concerns about inflation in the U.S. and Europe accompanying the economic recovery, soaring resource prices triggered by the Ukraine crisis, tight supplies of components and parts such as semiconductors, and disruptions to logistics.

In each of the major markets in which the Star Micronics Group operates, demand for POS printers was strong especially in the U.S. market, while demand for the Group's mainstay machine tools remained generally high in both overseas and domestic markets.

Under these circumstances, the Star Micronics Group reported sales of ¥17,539 million for the first quarter of the fiscal year under review, up 37.1% compared with the corresponding period of the previous fiscal year. The increase was largely due to an upswing in sales of machine tools. From a profit perspective, operating income climbed 112.2%, to ¥2,412 million due in large part to higher sales. Ordinary income increased 112.5%, to ¥2,615 million. Net income attributable to owners of parent grew 84.4%, to ¥1,827 million.

(Special Products)

In POS printers, market conditions remained favorable owing to continued brisk demand for mPOS in each market. Nevertheless, sales remained on par with the corresponding period of the previous fiscal year given the impact of significant decreases in production volumes caused by shortages in the supply of components and parts, and disruptions to logistics. In the U.S. market, sales increased due in part to the impact of the yen's depreciation, although product shortages also had an effect. In the European and domestic markets, conditions were favorable, yet sales decreased due to shortages in the supply of products amid disruptions to logistics.

Accounting for these factors, sales increased 0.5% compared with the corresponding period of the previous fiscal year, to ¥3,643 million. Operating income declined 19.1% year on year, to ¥689 million.

(Machine Tools)

Sales of CNC automatic lathes jumped significantly amid brisk global demand for capital investment. In the U.S. market, sales were strong in a wide range of industries centered on the medical-related sector. In the European market, sales were robust in mainly the medical, telecommunications, and automotive industries. Accordingly, sales rose significantly in each market. Sales in the Asian market grew substantially, with sales in China remaining high in three major industries: automotive, medical, and telecommunications. In the domestic market, sales increased significantly thanks to a recovery in sales in the mainstay automotive and other sectors.

Accounting for each of the aforementioned factors, sales and profits increased substantially. In specific terms, sales grew 51.6% compared with the corresponding period of the previous fiscal year, to ¥13,896 million. Operating income jumped 209.6%, to ¥2,197 million.

(2) Explanation of Financial Position

Amid foreign currency exchange rates affecting the consolidated balance sheet as a whole at the end of the first quarter of the fiscal year under review, assets stood at ¥86,484 million, an increase ¥4,123 million compared with the end of the previous fiscal year. This was mainly due to the upswing in inventories. Total liabilities came to ¥22,231 million, an increase of ¥1,599 million compared with the previous fiscal year-end. This largely reflected the upturn in trade payables. Total net assets increased ¥2,524 million compared with the end of the previous fiscal year, to ¥64,252 million. This was in large part due to the increase in foreign currency translation adjustments.

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

Earnings projections remain unchanged from the projections announced on February 9, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	27,575,626	27,834,347
Trade notes and accounts receivable	18,553,333	19,098,813
Securities	—	48,083
Merchandise and finished goods	9,558,322	10,978,858
Work in process	4,620,202	5,633,533
Raw materials and supplies	3,644,476	3,868,778
Other	1,891,617	1,848,304
Allowance for doubtful accounts	(136,868)	(130,114)
Total current assets	65,706,710	69,180,604
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,507,511	7,509,837
Machinery, equipment and vehicles, net	2,462,171	2,630,805
Tools, furniture and fixtures, net	1,073,662	1,144,015
Land	1,892,487	1,917,782
Lease assets, net	74,083	66,371
Construction in progress	175,143	133,479
Other, net	1,124,027	1,456,547
Total property, plant and equipment	14,309,087	14,858,838
Intangible assets		
Other	415,966	410,714
Total intangible assets	415,966	410,714
Investments and other assets		
Investment securities	946,639	1,098,884
Deferred tax assets	598,718	460,323
Other	383,435	474,838
Total investments and other assets	1,928,793	2,034,045
Total non-current assets	16,653,847	17,303,598
Total assets	82,360,558	86,484,203

(Unit: Thousands of yen)

	As of December 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,151,499	9,059,257
Electronically recorded obligations-operating	3,816,185	4,011,762
Lease obligations	27,547	24,956
Income taxes payable	811,083	705,393
Contract liabilities	—	973,032
Provision for bonuses	1,100,165	697,525
Provision for directors' bonuses	—	18,000
Other	5,597,862	5,364,326
Total current liabilities	19,504,343	20,854,255
Non-current liabilities		
Lease obligations	53,697	48,083
Net defined benefit liability	130,198	94,762
Other	944,121	1,234,291
Total non-current liabilities	1,128,017	1,377,137
Total liabilities	20,632,360	22,231,392
Net assets		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	13,854,202	13,022,866
Retained earnings	41,814,173	42,508,793
Treasury stock	(7,066,934)	(6,506,674)
Total shareholders' equity	61,323,380	61,746,925
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84,406	87,699
Foreign currency translation adjustments	(830,454)	1,253,995
Remeasurements of defined benefit plans	476,837	475,704
Total accumulated other comprehensive income	(269,210)	1,817,400
Stock acquisition rights	420,462	401,731
Noncontrolling interests	253,566	286,753
Total net assets	61,728,198	64,252,810
Total liabilities and net assets	82,360,558	86,484,203

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

(Quarterly Consolidated Statement of Income)

(First three-month period)

(Unit: Thousands of yen)

	First three-month period from January 1, 2021 to March 31, 2021, of FY2021	First three-month period from January 1, 2022 to March 31, 2022, of FY2022
Net sales	12,791,980	17,539,989
Cost of sales	8,308,492	11,097,112
Gross profit	4,483,488	6,442,876
Selling, general and administrative expenses	3,346,567	4,030,170
Operating income	1,136,921	2,412,705
Non-operating income		
Interest income	43,474	29,390
Foreign exchange gain	—	224,762
Rent income	10,204	10,412
Miscellaneous income	70,270	13,734
Total non-operating income	123,949	278,300
Non-operating expenses		
Interest expense	5,421	8,074
Foreign exchange loss	14,013	—
Loss on transport accident	—	56,136
Miscellaneous loss	10,615	10,901
Total non-operating expenses	30,050	75,112
Ordinary income	1,230,820	2,615,893
Extraordinary income		
Gain on sales of non-current assets	7	1,420
Total extraordinary income	7	1,420
Extraordinary losses		
Loss on disposal of non-current assets	12,150	1,388
Total extraordinary losses	12,150	1,388
Income before income taxes	1,218,677	2,615,925
Income taxes-current	359,930	613,150
Income taxes-deferred	(142,480)	160,168
Total income taxes	217,449	773,318
Net income	1,001,228	1,842,607
Net income attributable to noncontrolling interests	10,123	14,657
Net income attributable to owners of the parent	991,104	1,827,949

(Quarterly Consolidated Statement of Comprehensive Income)
(First three-month period)

(Unit: Thousands of yen)

	First three-month period from January 1, 2021 to March 31, 2021, of FY2021	First three-month period from January 1, 2022 to March 31, 2022, of FY2022
Net income	1,001,228	1,842,607
Other comprehensive income		
Valuation difference on available-for-sale securities	29,423	3,293
Foreign currency translation adjustments	1,592,312	1,823,190
Remeasurements of defined benefit plans	1,169	(1,132)
Share of other comprehensive income of entities	(4,877)	5,986
Total other comprehensive income	1,618,028	1,831,338
Comprehensive income	2,619,257	3,673,945
(Total comprehensive income attributable to:)		
Owners of parent	2,578,945	3,640,758
Noncontrolling interests	40,311	33,186

(3) Notes to Quarterly Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable

(Note on Significant Changes in Shareholders' Equity Accounts)

The Company retired 626,200 shares of treasury stock on February 4, 2022, in accordance with a resolution of the Board of Directors at a meeting held on December 8, 2021. As a result, capital surplus and treasury stock decreased by ¥830,341 thousand each during the first quarter of the fiscal year under review. This resulted in ¥13,022,866 thousand in capital surplus and ¥6,506,674 thousand in treasury stock as of the end of the first quarter of the current fiscal year.

(Changes in Accounting Policies)

(Application of "Accounting Standard for Revenue Recognition")

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. since the beginning of the first quarter of the fiscal year under review and recognizes revenue from goods or services to be provided at an amount expected to be received in exchange for those goods or services at the time when control over the promised goods or services is transferred to a customer. As a result, the Company now recognizes revenue at the time of acceptance inspection for certain sales, whereas it previously recognized revenue at the time of shipment, mainly in the Machine Tools Segment. In addition, consideration payable to a customer, such as sales commissions, had been previously accounted for as selling, general and administrative expenses, but is now accounted for as a net amount deducted from sales.

The Company applies the Revenue Recognition Accounting Standard in accordance with the transitional handling stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The Company adds or subtracts the amount of the cumulative effect on retained earnings from the beginning of the first quarter or from retained earnings in cases where the new accounting policies are applied retroactively to periods before the beginning of the first quarter. However, the Company applied the procedure provided for in Paragraph 86 of the Revenue Recognition Accounting Standards and did not retroactively apply the new accounting policy to contracts under which almost all revenue had been recognized before the beginning of the first quarter in accordance with the procedure before the application of the new accounting policy.

As a result, net sales decreased ¥38,546 thousand, cost of sales increased ¥17,470 thousand, and selling, general and administrative expenses decreased ¥24,281 thousand. Operating income, ordinary income, and income before income taxes decreased ¥31,735 thousand each in the first quarter of the fiscal year under review.

The balance of retained earnings at the beginning of the fiscal year under review decreased by ¥10,329 thousand.

Due to the application of the Accounting Standard for Revenue Recognition, "advances received," which had been included in "Other" under "Current liabilities" is included in "Contract liabilities" from the first quarter of fiscal 2022. In accordance with the transitional handling stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification via new indication methods will be carried out for the previous fiscal year using the new presentation. Moreover, in accordance with the transitional handling stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information that breaks down revenues arising in relation to contracts with customers for the first quarter of the previous fiscal year is not stated.

(Application of "Accounting Standard for Fair Value Measurement")

The Company began applying the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") and related measures at the beginning of the first quarter of the fiscal year under review. Accordingly, the Company will apply the new accounting policies stipulated in the Fair Value Measurement Accounting Standard and related measures in the future in accordance with the transitional handling stipulated in Section 19 of the same standard and Section 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019).

Application of this standard has no impact on quarterly consolidated financial statements.

(Application of ASC No. 842 "Leases")

Effective from the first quarter of the fiscal year under review, the Company has adopted ASC No. 842, "Leases" with regard to overseas consolidated subsidiaries. Regarding the application of the applicable accounting standard, the cumulative effect of adopting the standard, which is permitted as a transitional measure, is recognized as of the date of adoption.

The adoption of the applicable accounting standard has an insignificant impact on the consolidated financial statements.