

## Fiscal 2023 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 2023 Third-quarter Business Report: November 14, 2023

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 2023 (From January 1, 2023 to September 30, 2023)

(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 2023 Third Quarter	60,768	(1.4)	9,658	4.0	10,075	9.3	7,065	7.5
FY 2022 Third Quarter	61,657	35.1	9,286	72.2	9,219	66.4	6,572	53.4

(Note) Comprehensive income FY 2023 Third Quarter ¥11,937 million [(10.2)%] FY 2022 Third Quarter ¥13,291 million [115.8%]

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY 2023 Third Quarter	188.55	187.94
FY 2022 Third Quarter	172.56	171.65

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of September 30, 2023	98,049	81,504	82.7
As of December 31, 2022	99,538	73,088	73.0

Reference: Shareholders' Equity

As of September 30, 2023 ¥81,115 million As of December 31, 2022 ¥72,628 million

### 2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2022	—	30.00	—	40.00	70.00
FY 2023	—	30.00	—		
FY 2023(projected)				30.00	60.00

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

Breakdown of Year-End Dividends in FY2022 Ordinary dividend ¥30.00 Special dividend ¥10.00

### 3. Consolidated Outlook for the Fiscal Year Ending December 31, 2023 (From January 1, 2023 to December 31, 2023)

(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	79,000	(9.6)	11,000	(21.0)	11,400	(19.7)	8,400	(18.4)	224.85

(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

\*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.

- (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, 2023	41,921,434 shares	As of December 31, 2022	42,465,134 shares
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- (ii) Number of treasury stock at period-end

As of September 30, 2023	4,682,234 shares	As of December 31, 2022	4,809,548 shares
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- (iii) Average number of outstanding shares (During the nine months)

As of September 30, 2023	37,469,748 shares	As of September 30, 2022	38,088,667 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**

During the third quarter of fiscal 2023, the fiscal year ending December 31, 2023, the outlook for the economy remained uncertain throughout the period under review. This uncertainty largely reflects growing concerns surrounding the threat of an economic recession owing to the prolonged upswing in interest rates in the U.S. and Europe, deteriorating market conditions and slowing investment in China, and fluctuations in foreign currency exchange rates.

In each of the major markets in which the Star Micronics Group operates, demand for POS printers was generally weak. In addition, demand for the Group's mainstay machine tools in overseas markets, which had previously remained high, stalled with little or no forward momentum. Exacerbating these difficult trends, demand in Japan also failed to recover.

Under these circumstances, the Star Micronics Group reported sales of ¥60,768 million for the third quarter of the fiscal year under review, down 1.4% compared with the corresponding period of the previous fiscal year. Despite the overall impact of depreciation in the value of the yen, this was mainly due to a decline in sales of the Company's mainstay machine tools. From a profit perspective, operating income climbed 4.0%, to ¥9,658 million. Ordinary income increased 9.3%, to ¥10,075 million. Net income attributable to owners of parent grew 7.5%, to ¥7,065 million.

Meanwhile, Smart Solution Technology, Inc. (SST) was included in the Company's scope of consolidation and the Special Products Segment effective from the first half of the fiscal year under review.

#### **(Special Products)**

Despite the downturn in mPOS demand, which had remained robust, this improvement in POS printer sales largely reflected such factors as impact of depreciation in the value of the yen. Looking at trends by geographic region, sales in the U.S. and European markets grew. This is mainly due in part to the impact of the yen's depreciation. Despite weak market conditions throughout the domestic market, sales increased significantly compared with the corresponding period of the previous fiscal year owing to the inclusion of SST in the Company's scope of consolidation.

Accounting for these factors, sales increased 7.8% compared with the corresponding period of the previous fiscal year, to ¥12,847 million. Operating income was consistent with the previous year, ¥2,175 million, up 1.8%.

#### **(Machine Tools)**

Sales of CNC automatic lathes decreased. Notwithstanding progress from the beginning of the year to reduce the order backlog mainly in the U.S. and European markets amid the overall impact of depreciation in the value of the yen, this decrease was mainly due to delays in market recovery in China. By geographic region, sales in the U.S. market declined overall, despite firm medical-related trends. Sales increased significantly centered mainly on automotive-related products in the European markets. Meanwhile, sales decreased substantially in the Asian market. This was largely attributable to weak sales of automotive-related products on the back of the continued cautious approach toward capital investment in China over the latter half of the previous fiscal year. Sales declined significantly in the domestic market, mainly due to the continued lackluster performance of the automotive sector.

Accounting for each of the aforementioned factors, sales decreased 3.7% compared with the corresponding period of the previous fiscal year, to ¥47,921 million. Operating income jumped 3.8%, to ¥8,936 million.

### **(2) Explanation of Financial Position**

Total assets as of the end of the third quarter of the fiscal year under review stood at ¥98,049 million, a decrease ¥1,488 million compared with the end of the previous fiscal year. Despite an increase in inventories, this was mainly due to the decline in cash and deposits as well as trade notes and accounts receivable. Total liabilities came to ¥16,544 million, a decrease of ¥9,905 million compared with the previous fiscal year-end. This largely reflected the decline in trade payables and income taxes payables. Total net assets increased ¥8,416 million compared with the end of the previous fiscal year, to ¥81,504 million. This was in large part due to the increase in retained earnings and foreign currency translation adjustments.

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

Earnings projections remain unchanged from the projections announced on August 9, 2023.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	30,069,164	28,574,874
Trade notes and accounts receivable	22,749,935	20,739,299
Securities	34,278	—
Merchandise and finished goods	14,361,778	17,930,635
Work in process	6,578,912	4,494,067
Raw materials and supplies	4,146,484	3,794,439
Other	2,264,776	2,375,200
Allowance for doubtful accounts	(132,608)	(173,532)
<b>Total current assets</b>	<b>80,072,720</b>	<b>77,734,984</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,384,989	7,453,752
Machinery, equipment and vehicles, net	3,332,228	3,521,025
Tools, furniture and fixtures, net	1,350,231	1,355,952
Land	2,008,241	2,475,093
Lease assets, net	61,195	58,925
Construction in progress	215,439	149,050
Other, net	1,344,130	1,376,430
<b>Total property, plant and equipment</b>	<b>15,696,456</b>	<b>16,390,230</b>
Intangible assets		
Other	445,331	765,007
<b>Total intangible assets</b>	<b>445,331</b>	<b>765,007</b>
Investments and other assets		
Investment securities	1,131,830	677,857
Deferred tax assets	425,428	515,966
Net defined benefit asset	1,299,938	1,458,502
Other	466,926	507,264
<b>Total investments and other assets</b>	<b>3,324,123</b>	<b>3,159,590</b>
<b>Total non-current assets</b>	<b>19,465,910</b>	<b>20,314,829</b>
<b>Total assets</b>	<b>99,538,631</b>	<b>98,049,814</b>

(Unit: Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	8,369,767	4,943,629
Electronically recorded obligations-operating	4,618,781	532,127
Current portion of long-term bank loans	—	34,644
Lease obligations	26,484	31,440
Income taxes payable	2,417,312	718,018
Contract liabilities	965,914	424,258
Provision for bonuses	1,550,218	938,943
Provision for directors' bonuses	—	34,000
Other	7,155,653	6,931,634
<b>Total current liabilities</b>	<b>25,104,131</b>	<b>14,588,696</b>
Non-current liabilities		
Long-term bank loans	—	13,316
Lease obligations	41,207	33,912
Net defined benefit liability	100,988	111,776
Other	1,204,176	1,797,250
<b>Total non-current liabilities</b>	<b>1,346,371</b>	<b>1,956,255</b>
<b>Total liabilities</b>	<b>26,450,503</b>	<b>16,544,952</b>
Net assets		
Shareholders' equity		
Capital stock	12,721,939	12,721,939
Capital surplus	11,710,490	10,950,412
Retained earnings	49,849,455	54,290,902
Treasury stock	(6,608,499)	(6,659,022)
<b>Total shareholders' equity</b>	<b>67,673,385</b>	<b>71,304,232</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	107,591	184,851
Foreign currency translation adjustments	3,366,425	8,394,203
Remeasurements of defined benefit plans	1,481,466	1,232,653
<b>Total accumulated other comprehensive income</b>	<b>4,955,484</b>	<b>9,811,708</b>
Stock acquisition rights	351,712	270,639
Noncontrolling interests	107,545	118,282
<b>Total net assets</b>	<b>73,088,128</b>	<b>81,504,862</b>
<b>Total liabilities and net assets</b>	<b>99,538,631</b>	<b>98,049,814</b>

**(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, 2022 to September 30, 2022, of FY2022	Third nine-month period from January 1, 2023 to September 30, 2023 of FY2023
Net sales	61,657,968	60,768,352
Cost of sales	38,473,235	35,970,683
Gross profit	23,184,732	24,797,668
Selling, general and administrative expenses	13,897,848	15,138,816
Operating income	9,286,883	9,658,852
Non-operating income		
Interest income	116,431	242,267
Foreign exchange gain	—	16,380
Rent income	31,123	31,582
Miscellaneous income	92,059	157,926
Total non-operating income	239,614	448,156
Non-operating expenses		
Interest expense	24,232	22,724
Foreign exchange loss	243,711	—
Miscellaneous loss	39,075	8,999
Total non-operating expenses	307,019	31,724
Ordinary income	9,219,478	10,075,284
Extraordinary income		
Gain on sales of non-current assets	26,507	11,487
Gain on revision of retirement benefit plan	—	203,002
Total extraordinary income	26,507	214,489
Extraordinary losses		
Loss on disposal of non-current assets	16,474	36,480
Total extraordinary losses	16,474	36,480
Income before income taxes	9,229,511	10,253,293
Income taxes-current	2,409,521	2,702,119
Income taxes-deferred	190,495	483,702
Total income taxes	2,600,017	3,185,822
Net income	6,629,494	7,067,471
Net income (loss) attributable to noncontrolling interests	56,827	2,372
Net income attributable to owners of the parent	6,572,666	7,065,099

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

(Unit: Thousands of yen)

	<b>Third nine-month period from January 1, 2022 to September 30, 2022, of FY2022</b>	<b>Third nine-month period from January 1, 2023 to September 30, 2023 of FY2023</b>
Net income	6,629,494	7,067,471
Other comprehensive income		
Valuation difference on available-for-sale securities	26,468	77,259
Foreign currency translation adjustments	6,589,730	5,041,149
Remeasurements of defined benefit plans	(3,397)	(248,813)
Share of other comprehensive income of entities	48,721	837
Total other comprehensive income	6,661,522	4,870,432
Comprehensive income	13,291,016	11,937,904
(Total comprehensive income attributable to:)		
Owners of parent	13,189,002	11,921,323
Noncontrolling interests	102,014	16,580



### **(3) Notes to Quarterly Consolidated Financial Statements**

#### **(Note on Going Concern Assumption)**

Not applicable

#### **(Note on Significant Changes in Shareholders' Equity Accounts)**

The Company repurchased 543,700 shares of treasury stock, and retired them on August 4, 2023, in accordance with a resolution of the Board of Directors at a meeting held on May 11, 2023.

As a result, capital surplus decreased ¥773,141 thousand and treasury stock increased ¥226,732 thousand during the third quarter of the fiscal year under review. This resulted in ¥10,950,412 thousand in capital surplus and ¥6,659,022 thousand treasury stock as of the end of the third quarter of the current fiscal year.

#### **(Changes in Accounting Policies)**

(Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")

The Company began applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, revision issued on June 17, 2021) 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 Implementation Guidance on Accounting Standard for Fair Value Measurement in the future in accordance with the transitional handling stipulated in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

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