June 30, 2009

Fiscal 2010 First-quarter Consolidated Earnings Report

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange
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Scheduled release of fiscal 2010 First-quarter Business Report: July 14, 2009
Scheduled payment of dividends: —

(Figures less than one million are rounded down)

1. Results for the First Quarter of Fiscal 2010 (March 1, 2009 to May 31, 2009)

(1)Consolidated Operating Results (Percentages represent changes over the corresponding period of the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
FY2010 First Quarter	6,912	—	(1,095)	—	(1,158)	—	(1,217)	—
FY2009 First Quarter	15,284	(7.5)	2,774	(12.9)	2,892	(15.4)	1,902	(12.4)

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY2010 First Quarter	(25.93)	—
FY2009 First Quarter	35.47	35.44

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of May 31,2009	62,345	52,708	83.4	1,106.95
As of February 28,2009	64,204	52,986	81.5	1,114.21

Reference: Shareholders' Equity
As of May 31, 2009 ¥51,991 million As of February 28, 2009 ¥52,332 million

2. Dividends

	Dividends Per Share				
(Record date)	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2009	—	30.00	—	15.00	45.00
FY2010	—				
FY2010(projected)		11.00	—	11.00	22.00

(Note)Modifications to the dividend projection in this first-quarter:None

3. Consolidated Outlook for the Fiscal Year Ending February 28, 2010 (From March 1, 2009 to February 28, 2010)

(Percentages represent changes over the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Interim	12,300	—	(3,400)	—	(3,300)	—	(2,900)	—	(61.74)
Full Year	28,100	(50.7)	(4,500)	—	(4,300)	—	(3,500)	—	(74.52)

(Note)Modifications to forecasts of consolidated operating results in this first-quarter:None

4. Others

(1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation): None

(2) Adoption of simplified accounting methods and special accounting methods for quarterly consolidated financial statements: None

(3) Changes in principles, procedures and classifications of accounting standards associated with the preparation of quarterly consolidated financial statements(described in "Changes in Significant Accounting Policies Used in Preparation of Quarterly Consolidated Financial Statements")

(i) Changes associated with revised accounting standards: Yes

(ii) Changes other than those in (i) above: 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 May 31, 2009: 51,033,234 shares As of February 28, 2009: 51,033,234 shares

(ii) Number of treasury stock at period-end

As of May 31, 2009: 4,065,260 shares As of February 28, 2009: 4,065,150 shares

(iii)Average number of outstanding shares (during the three monsths ended May 31)

As of May 31, 2009: 46,968,021 shares As of May 31, 2008: 53,638,944 shares

※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. Actual results may differ materially from projections due to a variety of factors.

Qualitative Financial Information

1. Qualitative Information Related to Consolidated Operating Results

During the first quarter of fiscal 2010, the fiscal year ending February 28, 2010, economic conditions were weak, as the impact of the financial crisis that originated in the fall of 2008 continued to spread not only to industrialized countries but also to emerging nations. The yen also appreciated compared to the same period of the previous fiscal year.

Demand fell sharply in all the major markets in which the Star Micronics Group operates, including machine tools, printers, mobile phones, and wristwatches, mainly due to the impact of constrained capital investment and sluggish consumer spending associated with the economic downturn.

Against this backdrop, the Star Micronics Group took steps to counter the rapid contraction of its markets. Specifically, the Group thoroughly reduced expenses, mainly fixed costs, and carried out production adjustments to restore inventories to appropriate levels in the Machine Tools and other business segments. In addition, the Group expanded activities to prepare for the time after the projected recovery of the economic environment, including the launch of new products, capital investment aimed at rationalization, and research and development. Despite these efforts, owing to the impact of reduced capital investment caused by economic deterioration, the Machine Tools Segment and the Special Products Segment posted large declines in sales. In the Components Segment as well, although the rapid production cutbacks made by mobile phone manufacturers started to ease, sales ended up declining. Furthermore, in the Precision Products Segment, sales of components for wristwatches and automobiles decreased.

As a result of the above factors, Star Micronics reported consolidated sales of ¥6,912 million, down 54.8% year on year, in the first quarter of fiscal 2010. As regards profits, although the Group endeavored to revive earnings by thoroughly reducing expenses and adopting other measures, the large decline in sales led to an operating loss of ¥1,095 million and an ordinary loss of ¥1,158 million. The net loss for the quarter was ¥1,217 million.

Performance by segment was as follows:

(Special Products)

In a market environment that has been weak since 2008, the Group carried out finely tuned marketing activities in various regions and promoted the cultivation of markets in emerging nations in anticipation of a future recovery in demand. However, conditions were very harsh together with the negative impact of exchange rates, with companies showing a cautious stance toward new investment in the core point-of-sale (POS) printer market and investments continuing to be postponed or suspended. Consequently, sales of both dot impact printers and thermal printers fell sharply.

As a result of the above, segment sales declined a substantial 49.7% to ¥1,564 million, while operating income ended up at a loss of ¥3 million.

(Components)

In the mobile phone market, which is the core market of this business segment, production cutbacks by mobile phone makers gradually eased. At the same time, the Group promoted the cultivation of new customers, and at its manufacturing plants in China made rationalization investments aimed at improving production yields and ensuring stable quality, and strove to cut costs. Nevertheless, owing partly to the impact of sluggish demand for mobile phones and calls for price reductions from manufacturers, even though the Group managed to increase sales of microphones compared to a year earlier, sales of receivers and speakers ended up declining. In addition, sales of electronic buzzers also declined, reflecting weak demand in the automobile industry.

As a result of the foregoing, sales in this segment fell 26.9% to ¥2,280 million, and operating income turned to a loss of ¥338 million.

(Machine Tools)

In CNC automatic lathes, although orders declined rapidly from the financial crisis that originated in the fall of last year, signs of slightly stronger orders related to domestic demand in China were apparent during the quarter. However, in the overall market, orders weakened substantially both in Japan and overseas due to capital investment cutbacks. Against this backdrop, in the area of production, the Group carried out production adjustments aimed at restoring inventories, which had increased rapidly, to appropriate levels. On the sales front, the Group also endeavored to stimulate demand by actively taking part in exhibitions. Nevertheless, capital investment sentiment, which had waned sharply, failed to recover, and conditions were consequently very challenging.

As a result of the above, segment sales declined 69.1% to ¥2,480 million, marking a steep drop, and operating income ended up at a loss of ¥158 million.

(Precision Products)

With no signs of a market recovery, sales of wristwatch components declined substantially due to the impact of production cutbacks by wristwatch manufacturers. In non-wristwatch components, sales of car audio components fell sharply in response to production cuts at automobile manufacturers, and also to decreased sales of small hard disk drive (HDD) components.

As a result, segment sales declined 42.6% to ¥587 million, marking a significant fall, and operating income fell to a loss of ¥178 million.

From the fiscal year under review, quarterly financial statements are prepared in accordance with the “Rules for preparing quarterly consolidated financial statements.” As a result, year-on-year changes in qualitative information related to business results are given for reference purposes.

Performance by geographical segment was as follows:

Japan
In Japan, sales significantly decreased, especially of machine tools and POS printers for Europe and the U.S. As a result, net sales amounted to ¥3,932 million, and an operating loss was incurred of ¥1,037 million.

Europe
In Europe, results were partly impacted by exchange rate conversions, as well as by a substantial decline in sales of machine tools. Net sales amounted to ¥2,047 million, and operating income came to ¥340 million.

North America
In North America, sales machine tools and POS printers significantly decreased. As a result, net sales amounted to ¥1,147 million, and an operating loss was incurred of ¥99 million.

Asia
In Asia, sales declined substantially due to the Group's withdrawal from the computer printer business as well as to decreased sales of machine tools and micro audio components. Net sales amounted to ¥3,163 million, and an operating loss was incurred of ¥154 million.

2. Qualitative Information Concerning Consolidated Financial Position
(1) Changes in Consolidated Financial Position
Total assets at the end of the first quarter under review amounted to ¥62,345 million, a decrease of ¥1,859 million from the end of the previous fiscal year. On the assets side, notes and accounts receivable and inventories declined due to decreased sales. Total liabilities decreased ¥1,581 million from the end of the previous fiscal year mainly due to a drop in notes and accounts payable. Total net assets declined ¥277 million from the end of the previous fiscal year mainly due to the booking of a net loss for the first quarter and the payment of dividends, despite an increase in foreign currency translation adjustments.

(2) Analysis of Cash Flows
Cash and cash equivalents at the end of the first quarter under review amounted to ¥14,983 million, an increase of ¥372 million from the end of the previous fiscal year. Net cash of ¥673 million provided by operating activities was offset by net cash of ¥100 million used in investing activities and net cash of ¥559 million used in financing activities.

(Cash flows from operating activities)
Operating activities in the first quarter provided net cash of ¥673 million. This was mainly due to decreases in notes and accounts receivable and inventories, which were offset by the booking of a net loss for the quarter before income taxes of ¥1,464 million.

(Cash flows from investing activities)
Investing activities in the first quarter used net cash of ¥100 million. This was mainly due to the acquisition of property, plant and equipment.

(Cash flows from financing activities)
Financing activities in the first quarter used net cash of ¥559 million, due to the payment of dividends.

3. Qualitative Information Concerning the Consolidated Earnings Projections
There are currently no changes to our consolidated earnings projections for the fiscal year ending February 28, 2010 that were released on April 9, 2009.

4. Others

(1) Changes in the status of important subsidiaries during the quarter (changes in the status of specified subsidiaries resulting in changes in the scope of consolidation):
None.

(2) Application of simplified accounting methods and special accounting methods in the preparation of quarterly consolidated financial statements
None.

(3) Changes in accounting principles, procedures and presentation methods in the preparation of quarterly consolidated financial statements

1) Application of “Accounting Standards for Quarterly Financial Statements”
Effective from the current fiscal year, Star Micronics has applied the “Accounting Standards for Quarterly Financial Statements” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 12, March 14, 2007) and the “Guidance on Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14, March 14, 2007). In addition, the quarterly consolidated financial statements are prepared in accordance with the “Regulations for Quarterly Consolidated Financial Statements.”

2) Application of “Accounting Standards for Measurement of Inventories”
Previously, inventories have been stated principally at cost, with cost being determined by the annual average method. (For consolidated overseas subsidiaries, inventories are stated principally at the lower of cost or market value, with cost

being determined by the first-in first-out method.) However, effective from the first quarter of the current fiscal year, Star Micronics has applied the “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006). For Star Micronics and consolidated domestic subsidiaries, inventories are stated principally at cost by the annual average method (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins). For consolidated overseas subsidiaries, inventories are calculated principally at the lower of cost or market value determined by the first-in first-out method.

This change had no effect on income.

3) Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”
Effective from the first quarter of the current fiscal year, Star Micronics has applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force No. 18, May 17, 2006), and made the necessary amendments to the consolidated financial statements.

This change had negligible effect on income.

4) Application of “Accounting Standards for Lease Transactions”
Star Micronics used to account for finance lease transactions that do not transfer ownership by an accounting method based on the method used for ordinary lease transactions. However, effective from the first quarter of the current fiscal year Star Micronics has applied the “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13, originally issued on June 17, 1993 and revised on March 30, 2007) and the “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16, originally issued on January 18, 1994 and revised on March 30, 2007), which became applicable from fiscal years starting on or after April 1, 2008, and changed to an accounting method that is based on the method used for ordinary purchases and sales transactions.

To calculate the depreciation of leased assets related to finance lease transactions that do not transfer ownership, Star Micronics applies the straight-line method that assumes zero residual value and the leasing term to be the useful life. For finance lease transactions that do not transfer ownership that begin prior to the fiscal year when these revised standards are first applied, Star Micronics continues to use an accounting method based on the method used for ordinary lease transactions.

This change had negligible effect on income.

(4) Additional Information
Effective from the first quarter of the current fiscal year, Star Micronics and consolidated domestic subsidiaries have principally reassessed the useful lives of machinery and equipment, on the occasion of the revision of the corporate taxation legislation in fiscal 2008.

This change had negligible effect on income.