April 12, 2010

Consolidated Earnings Report for the Fiscal Year Ended February 28, 2010

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange
Code no.: 7718 URL http://www.star-m.jp
Representative Director: Hajime Sato, President and CEO
Inquiries: Satomi Jojima, Director General Manager, General Administration Headquarters TEL +81-54-263-1111
Scheduled annual general meeting of shareholders: May 27, 2010 Scheduled payment of dividends: May 28, 2010
Scheduled release of fiscal 2010 business report: May 28, 2010

(Figures less than one million are rounded down)

1. Consolidated Results for the Fiscal Year Ended February 28, 2010 (From March 1, 2009 to February 28, 2010)

(1) 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 February 28, 2010	29,180	(48.8)	(3,984)	-	(3,884)	-	(8,555)	-
Year Ended February 28, 2009	56,952	(22.9)	8,544	(41.7)	8,923	(41.2)	4,338	(46.3)

	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 February 28, 2010	(187.95)	-	(18.4)	(6.8)	(13.7)
Year Ended February 28, 2009	85.66	85.63	7.3	11.9	15.0

Reference: Equity in earnings of affiliated companies
Year ended February 2010 - Year ended February 2009 -

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 28, 2010	50,680	41,260	80.1	921.55
As of February 28, 2009	64,204	52,986	81.5	1,114.21

Reference: Shareholders' Equity
As of February 28, 2010 ¥40,609 million As of February 28, 2009 ¥52,332 million

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Year-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year Ended February 28, 2010	4,768	(1,194)	(3,976)	14,372
Year Ended February 28, 2009	6,151	(1,314)	(9,076)	14,610

2. Dividends

	Dividends per Share					Dividends Total (Year)	Dividend Payout Ratio (Consolidated)	Dividend on Equity Ratio (Consolidated)
	1Q end	2Q end	3Q end	Year-end	Full Year			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
FY2009	-	30.00	-	15.00	45.00	2,314	52.5	3.8
FY2010	-	11.00	-	11.00	22.00	1,001	-	2.2
FY2011 (projected)	-	11.00	-	11.00	22.00		-	

3. Consolidated Outlook for the Fiscal Year Ending February 28, 2011（From March 1, 2010 to February 28, 2011)

(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	13,800	3.8	(1,250)	-	(1,150)	-	(1,870)	-	(42.44)
Full Year	30,100	3.1	(1,000)	-	(850)	-	(1,800)	-	(40.85)

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

(i) Changes associated with revised accounting standards: Yes

(ii) Changes other than those in (i) above: 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 February 28, 2010: 51,033,234 shares As of February 28, 2009: 51,033,234 shares

(ii) Number of treasury stock at period-end

As of February 28, 2010: 6,965,942 shares As of February 28, 2009: 4,065,150 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Results for the Fiscal Year Ended February 28, 2010 (March 1, 2009 to February 28, 2010)

(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 February 28, 2010	18,239	(46.7)	(4,987)	-	(4,680)	-	(6,226)	-
Year Ended February 28, 2009	34,211	(31.5)	2,037	(71.6)	3,982	(51.2)	2,089	(60.2)

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended February 28, 2010	(136.80)	-
Year Ended February 28 ,2009	41.26	41.25

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 28, 2010	38,076	31,324	82.3	710.83
As of February 28, 2009	48,379	41,443	85.7	882.37

Reference: Shareholders' Equity

As of February 28, 2010: ¥31,324 million As of February 28, 2009: ¥41,443 million

※Regarding the appropriate use of earnings projections, and other special 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.

For further details on cautionary matters regarding projections and their underlying assumptions, please refer to page 5-6.

1. Operating Results

Analysis of Operating Results

(i) Fiscal 2010 operating results

During fiscal 2010, the fiscal year ended February 28, 2010, the European and the U.S economies were stagnant throughout the year, although both have bottomed out since economy-boosting measures in each country started to take effect. In Asia, economic recovery continued, primarily in China, while the Japanese economy continued to mirror Europe and the U.S. Regarding exchange rates, the yen was stronger compared with the previous fiscal year.

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

Against this backdrop, the Star Micronics Group took steps to respond to the rapid contraction of its markets. Specifically, the Group thoroughly reduced expenses, mainly fixed costs, including by realigning subsidiaries. At the same time the Group optimized inventory levels by implementing substantial production cutbacks in the Machine Tools and other business segments. The Group also conducted activities to prepare for the time after the projected recovery of the economic environment, including development of new products, capital investment for rationalization, and reviews of production systems to strengthen cost competitiveness. Despite these efforts, in an environment of continued curbs on capital investment, the Machine Tools and Special Products segments posted large sales declines. In the Components Segment as well, orders failed to grow and sales declined sharply due principally to increasingly fierce price competition from rival manufacturers. In the Precision Products Segment, sales of wristwatch and non-wristwatch components decreased, although sales of components for small hard disk drives (HDDs) and car audio products have been improving since the second half of the year.

As a result of the above factors, Star Micronics reported consolidated sales of ¥29,180 million, a substantial drop of 48.8% year-on-year, in fiscal 2010. As regards profits, although the Group endeavored to improve earnings by rigorously reducing expenses and adopting other measures, the decline in sales had a significant impact, leading to an operating loss of ¥3,984 million and an ordinary loss of ¥3,884 million. The net loss for the year was a substantial ¥8,555 million, mainly due to the posting of an impairment loss on property, plant and equipment of ¥2,307 million and the cancellation of posting of deferred tax assets of ¥2,858 million.

Performance by segment was as follows:

(Special Products)

In a persistently weak market environment, the Group carried out finely tuned marketing activities in various regions, focusing on the mainstay POS market, and continued cultivating markets in emerging nations and making proposals to customers in anticipation of a future recovery in demand. However, despite signs of sales recovering in some regions, such as South America and China companies continued to show a cautious stance toward new investment, with projects under negotiation either being postponed or cancelled. Together with the negative impact of exchange rates, this reticence toward investment saw POS printer sales fall, mainly for thermal printers. Segment sales also fell due to the withdrawal from the computer printer business.

As a result of the above, segment sales declined a substantial 42.9% to ¥6,739 million, while operating income fell a significant 82.6% to ¥279 million.

(Components)

In this business segment, the Group sought to further reduce costs through local component procurement and by making investments aimed at rationalization to boost productivity. At the same time the Group worked to develop new products and win new customers. However, in the core mobile phone market, the emergence of rival manufacturers and requests for price reductions made it increasingly difficult to obtain orders, leading to lower sales mostly of receivers and speakers. Although demand for automobile ETC terminals for the automobile industry temporarily increased, sales decreased.

As a result of the foregoing, the segment saw sales fall a significant 38.1% to ¥7,646 million and reported an operating loss of ¥1,526 million.

In tandem with the worsening business environment, an impairment loss on property, plant and equipment centered on production facilities was posted as an extraordinary loss.

(Machine Tools)

In CNC automatic lathes, demand remained low both in Japan and overseas after having declined rapidly from the last fiscal year, as capital investment in the core European market and elsewhere remained restrained overall. Meanwhile, demand centered on automobile-related customers in Asian markets, especially China, has recovered. Against this backdrop, the Group slashed production to optimize inventory levels, and also worked to win increased orders by conducting sales activities for medical equipment in the U.S., a comparatively strong business field. Nevertheless, the Group could not overcome the overall challenging marketplace conditions for the segment.

As a result of the above, segment sales declined sharply by 60.1% to ¥11,464 million and an operating loss of ¥940 million was recorded.

In other news, the Group reviewed its sales framework and decided to dissolve Star Micronics AB, a sales subsidiary in Sweden.

(Precision Products)

Sales of wristwatch components declined substantially, with demand failing to recover despite customers ending production cutbacks in the second half of year. Sales of non-wristwatch components declined in year-on-year terms, despite a recovery in sales of car audio components produced in overseas plants and small HDD components for laptop computers. The overall decrease in non-wristwatch component sales was due to the impact of sales declines at the beginning of the fiscal year.

As a result, the segment saw sales drop 17.8% to ¥3,330 million and recorded an operating loss of ¥84 million.

The Group also reviewed its sales framework, dissolving Micro Kikugawa Company, a domestic production subsidiary, at the end of October 2009.

(ii) Outlook for Fiscal 2011

The outlook for fiscal 2011 for the global economy continues to be extremely uncertain. Despite projected growth in China and other newly emerging countries, economic recovery especially in Japan, Europe and the U.S. is unsteady and short-term improvement is not expected.

In these circumstances, the Group expects the following full-year consolidated performance for fiscal 2011. Sales are projected to increase for the Machine Tools Segment due to a recovery in orders mainly in China and other parts of Asia, and for the Special Products and Precision Products segments due to business recovery. However, there will be a temporary drop in sales in the Components Segment which will shift attention away from the mobile phone market, where profitability has declined, and return it to products for the automobile market, where growth is projected.

Consequently, the Group is forecasting slightly increased net sales of ¥30,100 million, an increase of 3.1% year on year. On the earnings front, the Group forecasts an unavoidable operating loss of ¥1,000 million, an ordinary loss of ¥850 million and a net loss of 1,800 million based on the difficult recovery in sales, despite ongoing rigorous efforts to reduce business expenses.

These forecasts assume fiscal 2011 exchange rates of ¥90/US$1 and ¥125/€1.

Star Micronics has adopted the following forecasts for each business segment.

(Special Products)

In the Special Products Segment, the Group aims to increase sales. Although the Group is forecasting a sluggish recovery in capital investment sentiment, mainly in the core point -of-sale (POS) printer market, the Group will launch new products and develop new customers in China, Southeast Asia and Central and South America, regions where growth is expected in the future.

As a result, segment sales are projected at ¥7,620 million, up 13.1% year on year. The operating income forecast is to improve to ¥850 million, an increase of 204.2%, mainly through the increase in sales.

(Components)

In sales for mobile phones, which had been a core market until last fiscal year, severe conditions are anticipated to continue, due principally to the emergence of competition from rival manufacturers. The Group will therefore rebuild the Components business by returning attention to the automobile market, with which the Group has been involved for some time.

Consequently, the Group is forecasting segment sales of ¥3,840 million, an unavoidable and substantial decrease of 49.8% year on year. The Group expects to record a reduced operating loss of ¥750 million.

(Machine Tools)

While orders from the core markets in industrialized countries will remain sluggish due to their slow recovery from the bottom, the Group anticipates an increase in new orders compared to the previous fiscal year mainly in Asia, especially China, and in Japan. In these circumstances, the Group aims to increase sales by vigorously conducting sales activities in Asia and by launching highly competitive products specialized for markets in newly emerging countries.

As a result, the Group is forecasting improved segment sales of ¥15,010 million, up 30.9% year on year, and operating income of ¥410 million, an improvement from the loss of the previous fiscal year, mainly due to increased sales in Asia and the production cutbacks of the previous fiscal year.

(Precision Products)

The Group expects sales in the Precision Products Segment to increase, although sales of wristwatch components are projected to decline as that market continues to contract, because of continuing increased orders for car components and small HDD components.

Consequently, segment sales are projected to increase 9.0% year on year to ¥3,630 million, and the Group is forecasting operating income of ¥260 million, an improvement from the operating loss of the previous fiscal year.

(Figures less than one million are rounded down)

(¥ million)

		Fiscal 2009	Fiscal 2010	YoY Change (%)	Fiscal 2011	year on year Change	
		Actual	Actual		Forecast	Amount	(%)
Special Products	Net Sales	11,813	6,739	(42.9)	7,620	880	13.1
	Operating Income	1,601	279	(82.6)	850	570	204.2
	Ratio (%)	13.6	4.1		11.2		
Components	Net Sales	12,351	7,646	(38.1)	3,840	(3,806)	(49.8)
	Operating Income	1,238	(1,526)	-	(750)	776	-
	Ratio (%)	10.0	-		-		
Machine Tools	Net Sales	28,735	11,464	(60.1)	15,010	3,545	30.9
	Operating Income	7,322	(940)	-	410	1,350	-
	Ratio (%)	25.5	-		2.7		
Precision Products	Net Sales	4,052	3,330	(17.8)	3,630	299	9.0
	Operating Income	534	(84)	-	260	344	-
	Ratio (%)	13.2	-		7.2		
Eliminations or Corporate		(2,152)	(1,712)		(1,770)	(57)	
Consolidated	Net Sales	56,952	29,180	(48.8)	30,100	919	3.1
	Operating Income	8,544	(3,984)	-	(1,000)	2,984	-
	Ratio (%)	15.0	-		-		