June 30, 2010

# Fiscal 2011 First-quarter Consolidated Earnings Report

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange
Code: 7718 URL http://www.star-m.jp
Representative Director: Hajime Sato, President and CEO
Inquiries: Satomi Jojima, Director ,General Manager, General Administration Headquarters TEL:054 -263-1111
Scheduled release of fiscal 2011 First-quarter Business Report: July 14, 2010
Scheduled payment of dividends: －

(Figures less than one million are rounded down)

1. Results for the First Quarter of Fiscal 2011 (March 1, 2010 to May 31, 2010)

(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) | % |
| FY2011 First Quarter | 8,154 | 18.0 | (45) | － | 9 | － | (1,062) | － |
| FY2010 First Quarter | 6,912 | － | (1,095) | － | (1,158) | － | (1,217) | － |

| | Net Income Per Share | Diluted Net Income Per Share |
|---|---|---|
| | (¥) | (¥) |
| FY2011 First Quarter | (24.10) | － |
| FY2010 First Quarter | (25.93) | － |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity Ratio | Net Assets Per Share |
|---|---|---|---|---|
| | (¥ million) | (¥ million) | % | (¥) |
| As of May 31,2010 | 51,982 | 39,481 | 74.6 | 880.19 |
| As of February 28,2010 | 50,680 | 41,260 | 80.1 | 921.55 |

Reference: Shareholders' Equity
As of May 31, 2010 ¥38,796 million As of February 28, 2010 ¥40,609 million

2. Dividends

| | Dividends Per Share | | | | |
|---|---|---|---|---|---|
| | 1Q end | 2Q end | 3Q end | Year-end | Full Year |
| | (¥) | (¥) | (¥) | (¥) | (¥) |
| FY2010 | － | 11.00 | － | 11.00 | 22.00 |
| FY2011 | － | | | | |
| FY2011(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, 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) |

(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: None

(ii) Changes other than those in (i) above: Yes

(Note) For details, please refer to “4. Others” under “Qualitative Financial Information” on page 4.

(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, 2010: 51,033,234 shares    As of February 28, 2010: 51,033,234 shares

(ii) Number of treasury stock at period-end

As of May 31, 2010: 6,955,287 shares    As of February 28, 2010: 6,965,942 shares

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

As of May 31, 2010: 44,071,696 shares    As of May 31, 2009: 46,968,021 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. For matters concerning business forecasts, please see section “3. Qualitative Information Concerning the Consolidated Earnings Projections” on page 4.

**[Qualitative Financial Information]**

**1. Qualitative Information Related to Consolidated Operating Results**

During the first quarter of fiscal 2011, ended May 31, 2010, the U.S. economy continued to see a firm resurgence in consumer spending, while in Europe, the pace of economic recovery slowed over concerns of a looming financial crisis in euro-zone countries. In contrast, growth rates remained high in China and other economies in Asia, with the Japanese economy also continuing its modest recovery.

Demand increased in all the major markets in which the Star Micronics Group operates, including in Machine Tools, where the order environment improved particularly in Asia. Similar market improvement was also witnessed in the Special Products and Precision Products business segments.

Against this backdrop, the Star Micronics Group sought to boost sales in the Machine Tools Segment by taking steps to raise production capacity in response to increased orders. In the Special Products Segment, in addition to the strong Chinese market, sales rose in North America and other markets where demand appears to be rebounding. Conversely, in the Components Segment, we carried out structural reforms in response to lower production and promoted a drive to lift sales in products for the automobile market. In the Precision Products Segment, sales rose with the completion of production cutbacks among wristwatch manufacturers and a recovery in demand in the automobile market.

As a result of the above factors, Star Micronics reported consolidated sales of ¥8,154 million, an increase of 18.0% year-on-year, in the first quarter of fiscal 2011. As regards profits, the Company recorded an operating loss of ¥45 million, compared to a loss of ¥1,095 million during the same period a year earlier, and ordinary income of ¥9 million, versus a loss of ¥1,158 million in first quarter of the previous fiscal year. The net loss, meanwhile, was ¥1,062 million, compared to a loss of ¥1,217 million recorded a year ago, and stemmed mainly from the booking of special retirement costs. In addition to recovering sales, the general improvement in profits owed to benefits from reductions in fixed costs and other areas.

Performance by segment was as follows.

(Special Products)

In POS printers, along with firm growth in the South American market, signs of a recovery in demand also emerged in the North American market, as sales of thermal printers, most notably for the POS market, increased. In the Chinese market, where aggressive measures are under way to boost domestic demand, sales of dot-matrix printers rose principally atop increased demand for products for the POS market. On the other hand, performance was sluggish overall in the European market, where economic recovery continues to lag, resulting in largely flat sales year-on-year.

As a result of the above, segment sales rose 17.5% to ¥1,837 million, while operating income improved to ¥159 million, reversing a loss of ¥3 million recorded a year earlier.

(Components)

In this business segment, the Group from fiscal 2011 shifted its focus mainly from the mobile phone market, where profitability is now challenging, to the products for automobiles market. Subsequently, sales in the mobile phone market fell sharply for the quarter. In contrast, tracking a recovery in prices for products for the automobile market, sales of electronic buzzers and other products were higher, most notably in Japan. Where production is concerned, in response to lower sales in the mobile phone market, Star Micronics took steps to improve its financial position that included workforce downsizing at production sites overseas.

As a result of the foregoing, the segment saw sales fall 33.2% to ¥1,522 million and reported an operating loss of ¥191 million, compared to a loss of ¥338 million a year earlier.

(Machine Tools)

In CNC automatic lathes, signs of recovery finally began to appear in market prices, which had long remained in the doldrums due to the global economic recession. By region, China and other Asian markets saw increased capital investment among automobile and motorcycle customers, as orders since the second half of last year continued to exceed those from the previous fiscal year. In the U.S. market, the focus of sales activities was medical equipment, a comparatively strong business field. In the European market, where the most challenging conditions had persisted, the order environment has improved on a monthly basis since the start of fiscal 2011. By product, sale increased mainly for SR series and SB series products, the latter of which feature superior cost performance.

As a result of the above, segment sales rose a substantial 52.3% to ¥3,778 million, with operating income of ¥262 million, reversing an operating loss of ¥158 million for the same period in the previous fiscal year.

(Precision Products)

Sales of wristwatch components grew substantially, as demand continued to rebound steadily following the completion of production cutbacks by customers. Sales of non-wristwatch components were also higher, reflecting brisk sales of car audio components accompanying recovery in the automobile market, as well as a resurgence in sales of small HDD components for laptop computers.

As a result, the segment saw sales climb a sharp 72.8% to ¥1,015 million and recorded operating income of ¥140 million, reversing an operating loss of ¥178 million in the previous fiscal year.

## 2. Qualitative Information Concerning Consolidated Financial Position

(1) Changes in Consolidated Financial Position

Total assets at the end of the first quarter amounted to ¥51,982 million, ¥1,302 million more than at February 28, 2010. Assets saw no major changes in notes and accounts receivable or in inventories, but rose mainly atop an increase in cash and deposits. Total liabilities increased ¥3,080 million over the end of the previous fiscal year, primarily from an increase in notes and accounts payable due to a recovery in production, coupled with growth in other current liabilities. Total net assets declined ¥1,778 million compared to February 28, 2010, mainly from the net loss posted for the quarter and the payment of dividends.

(2) Analysis of Cash Flows

Cash and cash equivalents at May 31, 2010 amounted to ¥16,193 million, an increase of ¥1,820 million from the end of the previous fiscal year. Net cash provided by operating activities was ¥2,132 million, which was sufficient to offset net cash used in investing and financing activities of ¥357 million and ¥381 million, respectively.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥2,132 million, compared to net cash of ¥673 million provided a year earlier, and was mainly attributable to a sharp increase in notes and accounts payable.

(Cash flows from investing activities)

Net cash used in investing activities was ¥357 million, versus ¥100 million in net cash used in the previous fiscal year, and owed primarily to purchases of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥381 million, compared to net cash of ¥559 million used a year ago, and largely reflected the payment of dividends.

## 3. Qualitative Information Concerning the Consolidated Earnings Projections

Earnings projections remain unchanged from figures announced on April 12, 2010. The Company will work to gather data on market trends and other information, and will quickly announce any subsequent changes in earnings projections as needed.

## 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
(Additional Information)
(Actuarial differences in the provision for retirement benefits and changes in years for expensing past service cost)
Previously, actuarial differences and past service cost were expensed over a period of 14 years. However, in light of a shorter average period of service for employees, these items will be expensed over a period of 13 years beginning the first quarter of fiscal 2011.
This change had a negligible impact on income for the first quarter of fiscal 2011.