

January 7, 2011

Fiscal 2011 Third-quarter Consolidated Earnings Report (Japanese GAAP)

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange
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 Scheduled release of Fiscal 2011 Third-quarter Business Report: January 13, 2011
 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 2011 (March 1, 2010 to November 30, 2010)

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

	Net Sales		Operating Income (Loss)		Ordinary Income (Loss)		Net Loss	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Nine months ended November 30, 2010	24,975	18.4	552	—	321	—	(1,139)	—
Nine months ended November 30, 2009	21,094	—	(2,878)	—	(2,753)	—	(3,530)	—

	Net Loss Per Share	Diluted Net Income Per Share
	(¥)	(¥)
Nine months ended November 30, 2010	(26.05)	—
Nine months ended November 30, 2009	(76.74)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of November 30, 2010	48,704	36,406	73.4	829.35
As of February 28, 2010	50,680	41,260	80.1	921.55

Reference: Shareholders' Equity

As of November 30, 2010 ¥35,726 million As of February 28, 2010 ¥40,609 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
Year ended February 28, 2010	—	11.00	—	11.00	22.00
Year ending February 28, 2011	—	11.00	—		
Year ending February 28, 2011 (projected)				11.00	22.00

(Note) Modifications to the dividend projection in the third-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 Loss		Net Loss Per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full Year	35,500	21.7	900	—	800	—	(800)	—	(18.36)

(Note) Modifications to forecasts of consolidated operating results in the third-quarter: None

4. Others (Please see Other Information on page 4 of the attachment)

(1) Significant changes in subsidiaries during the period under review: None

(Note) This indicates changes in the status of specified subsidiaries resulting in changes in the scope of consolidation during the third quarter.

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

(Note) This indicates whether any simplified accounting methods or special accounting methods were used in the preparation of the quarterly financial statements.

(3) Changes to accounting principles, procedures or methods of presentation

(i) Changes associated with revised accounting standards: None

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

(Note) This indicates the presence of any changes in the accounting principles, procedures or methods of presentation for the preparation of the quarterly financial statements as listed under "Changes to key basic items for preparation of the quarterly consolidated financial statements"

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at period-end (including treasury stock)

As of November 30, 2010: 51,033,234 shares As of February 28, 2010 : 51,033,234 shares

(ii) Number of treasury stock at period-end

As of November 30, 2010: 7,955,841 shares As of February 28, 2010 : 6,965,942 shares

(iii) Average number of outstanding shares (during the nine months ended November 30)

As of November 30, 2010: 43,742,341 shares As of November 30, 2009 : 46,001,146 shares

* Disclosure regarding progress of quarterly review procedures

This quarterly earnings report is not subject to quarterly reviews stipulated in the Financial Instruments and Exchange Act of Japan. As of the time this report was released, the Company has not completed review procedures for the quarterly consolidated financial statements based on the Financial Instruments and Exchange Act.

* 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 "1. Qualitative Financial Information (3) Qualitative Information Concerning the Consolidated Earnings Projections on page 4.

1. Qualitative Financial Information

(1) Qualitative Information Related to Consolidated Operating Results

During the first three quarters of the fiscal year ending February 28, 2011, the U.S. economy continued its recovery, but at a slower pace, while the European economies remained steady overall despite concerns over a fiscal crisis in euro-zone countries. Meanwhile, Asian economies continued to see high growth led by China, and the Japanese economy continued to stage a gradual recovery despite the ongoing appreciation of the yen.

Demand increased in the major markets in which the Star Micronics Group operates. The Machine Tools Segment enjoyed strong demand from Asia, as well as an improvement in orders received in Europe, where recovery had lagged. The Special Products Segment and Precision Products Segment also saw increased demand due to improving market conditions.

Amid this environment, in the Machine Tools Segment the Group continued to increase production capacity in response to increased orders, and strove to increase sales by introducing new products to the market and other means. Sales in the Special Products Segment increased in the North American market, which showed signs of recovery, as well as in China. Meanwhile, in the Components business, restructuring efforts continued in response to reduced production and the Group worked to increase sales of products for the automobile market. In the Precision Products Segment, sales increased on strong production activity by wristwatch makers and a recovery in demand in the automobile and personal computer markets, among other factors.

As a result of the above factors, Star Micronics reported consolidated sales of ¥24,975 million, up 18.4% year on year, for the first three quarters of fiscal 2011. As regards profits, the rebound in sales coupled with the effects of reducing fixed costs and other expenses resulted in operating income of ¥552 million, compared with an operating loss of ¥2,878 million for the same period in the previous fiscal year, and ordinary income was ¥321 million, compared with an ordinary loss of ¥2,753 million a year ago. Despite these improvements, the Group posted a net loss of ¥1,139 million, compared with a net loss of ¥3,530 million for the same period in the previous fiscal year, due to special severance payments for early retired employees and other factors.

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, 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 resulting in largely flat sales year-on-year.

As a result of the above, segment sales rose 18.5% to ¥5,793 million, while operating income improved 230.3% to ¥615 million.

Moreover, sales of new products commenced, including environmentally-friendly thermal eco-printers and mobile printers for the U.S. market.

(Components)

In this business segment, from fiscal 2011 the Group shifted the emphasis of business operations from products for the mobile phone market, where profitability is now challenging, to the automobile and other markets. Subsequently, sales in the mobile phone market plummeted. Meanwhile, in the automobile market, sales improved overall following market recovery, despite a slowdown in vehicle sales in Japan mainly in the third quarter.

Where production is concerned, in response to lower sales in the mobile phone market, Star Micronics took steps to improve its operating structure that included workforce downsizing at production sites overseas.

As a result of the foregoing, the segment saw sales fall 40.9% to ¥3,584 million and reported an operating loss of ¥340 million, compared with an operating loss of ¥1,050 million a year earlier.

(Machine Tools)

The market for CNC automatic lathes continued to recover from a slump, following the recovery of the global economy. By region, China and other Asian markets saw increased capital investment among customers in the automobile and motorcycle and other sectors, contributing to steady orders. In the U.S. market, sales activities were focused on medical-related fields, where we continue to see steady growth in orders. Orders in the European market, where the most challenging conditions had persisted, have improved since the start of fiscal 2011, mainly in Germany. By product, sales increased mainly for SR series and SB series products, the latter of which feature superior cost performance.

As a result, the segment saw sales improve sharply by 59.5% to ¥12,342 million and recorded operating income of ¥896 million, reversing by a large margin an operating loss of ¥605 million in the previous fiscal year.

Moreover, the Group commenced sales of the ST-38 targeting medical, automobile and aviation industrial fields that involve machining of complex shaped parts of difficult-to-cut materials such as titanium. The Group also launched the new SB-20, which replaces the SB-16 series.

Furthermore, the Group plans to increase its share of the CNC automatic lathe market in the terms of sales by selling the new SF-25 turning center for small precision components, and the SG-42 for large diameter precision components.

(Precision Products)

Sales of wristwatch components grew as demand continued to rebound following the completion of production cutbacks by client manufacturers. 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, despite continued production cutbacks by HDD manufacturers mainly in the third quarter.

As a result of the above, segment sales rose a substantial 35.3% to ¥3,255 million, with operating income of ¥601 million, reversing by a large margin an operating loss of ¥109 million for the same period in the previous fiscal year.

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets at the end of the third quarter amounted to ¥48,704 million, down ¥1,976 million from February 28, 2010. The change was mainly attributable to the overall impact of foreign exchange rates. On the assets side of the balance sheet, inventories increased, but there was a decline in fixed assets mainly reflecting restrained investment, along with a decrease in cash and deposits, and trade notes and accounts receivable, among other items. Total liabilities increased ¥2,877 million from the end of the previous fiscal year, primarily due to an increase in notes and accounts payable due to an upturn in production. Total net assets declined ¥4,853 million compared to February 28, 2010, mainly due to a decline in foreign currency translation adjustments, the net loss and other factors.

(3) Qualitative Information Concerning the Consolidated Earnings Projections

There is no change to the consolidated business forecasts issued on September 30, 2010.

2. Other Information

(1) Changes in the status of important subsidiaries during the quarter: None

(2) Application of simplified accounting methods and special accounting methods: None

(3) Changes in accounting principles, procedures and presentation methods in the preparation of 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 have been expensed over a period of 13 years since the first quarter of fiscal 2011.

This change had a negligible impact on income for the third-quarter of fiscal 2011.