

September 29, 2011

## Fiscal 2012 Second-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

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Scheduled release of fiscal 2012 Second-quarter Business Report: October 13, 2011

Scheduled payment of dividends: November 10, 2011

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: Yes

(Figures less than one million are rounded down)

### 1. Results for the Second Quarter of Fiscal 2012 (March 1, 2011 to August 31, 2011)

#### (1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income (Loss)	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended August 31, 2011	19,742	16.4	1,446	271.8	1,545	594.0	951	—
Six months ended August 31, 2010	16,967	27.6	389	—	222	—	(1,082)	—

	Net Income (Loss) Per Share	Diluted Net Income Per Share
	(¥)	(¥)
Six months ended August 31, 2011	22.10	—
Six months ended August 31, 2010	(24.56)	—

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of August 31, 2011	51,918	37,720	71.8	864.90
As of February 28, 2011	49,250	37,096	73.9	845.31

Reference: Shareholders' Equity

As of August 31, 2011 ¥37,256 million As of February 28, 2011 ¥36,412 million

### 2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
Year ended February 28, 2011	—	11.00	—	11.00	22.00
Year ended February 29, 2012	—	13.00			
Year ended February 29, 2012 (projected)			—	13.00	26.00

(Note) Modifications to the dividend projection in the second quarter: None

### 3. Consolidated Outlook for the Fiscal Year Ending February 29, 2012 (From March 1, 2011 to February 29, 2012)

(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)	%	(¥)
Full Year	42,200	18.1	3,200	124.0	3,300	176.3	1,500	829.0	35.16

(Note) Modifications to forecasts of consolidated operating results in the second 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

New company: None (Company name), Excluded company: None (Company name)

(Note) This indicates changes in the status of specified subsidiaries resulting in changes in the scope of consolidation during the second 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: Yes

(ii) Changes other than those in (i) above: None

(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 August 31, 2011	48,033,234 shares	As of February 28, 2011	51,033,234 shares
(ii) Number of treasury stock at period-end	As of August 31, 2011	4,956,991 shares	As of February 28, 2011	7,956,911 shares
(iii) Average number of Outstanding shares (during the six months ended August 31)	As of August 31, 2011	43,076,296 shares	As of August 31, 2010	44,074,731 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

1. 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 related to earnings projections in this report, refer to “(3) Qualitative Information Concerning the Consolidated Earnings Projections” under “1. Qualitative Financial Information” on page 4 of the attachment.

2. The consolidated net income per share forecast for fiscal 2012 reflects the impact of the repurchase of the Company’s own shares based on Board of Directors’ resolutions passed on September 12, 2011.

## **1. Qualitative Financial Information**

### **(1) Qualitative Information Related to Consolidated Operating Results**

During the first two quarters of the fiscal year ending February 29, 2012, the U.S. economic recovery slowed and European economies also lost momentum amid growing concerns for the fiscal and financial soundness of euro-zone countries. Meanwhile, although some parts of Asia were sluggish due to the Great East Japan Earthquake, China continued to lead the high growth among Asian economies. In Japan, there were signs the economy was gradually recovering from the earthquake and tsunami. The yen's foreign exchange rate, meanwhile, remained strong against major currencies.

Demand was generally firm in the major markets in which the Star Micronics Group operates. The Machine Tools Segment saw strong orders primarily from the main markets in Europe and the U.S. The Special Products Segment, meanwhile, experienced increased demand for dot-matrix printers in markets such as North America, South America and China. In the Precision Products Segment, business was brisk in wristwatch components.

Amid this environment, in the Machine Tools Segment the Group continued to increase production capacity in Japan and overseas in response to increased orders, culminating most notably in growth in sales to Europe. In the Special Products Segment, sales increased for dot-matrix printers in the Chinese market, but decreased for thermal printers mainly in the European market. Meanwhile, in the Components Segment, sales of products for the automobile market, where growth was anticipated, faltered due to the Great East Japan Earthquake. In the Precision Products Segment, sales of wristwatch components grew, as the impact of the March 2011 disaster on production was brief. Sales of non-wristwatch components, by contrast, were lower overall.

As a result of the above factors, Star Micronics reported consolidated sales of ¥19,742 million, up 16.4% year on year, for the first two quarters of fiscal 2012. As regards profits, increased sales in the Machine Tools Segment and other factors resulted in operating income of ¥1,446 million, up 271.8% year on year, and ordinary income was ¥1,545 million, up 594.0% year on year. The Group posted net income of ¥951 million, a sharp improvement compared with a net loss of ¥1,082 million for the same period in the previous fiscal year.

Performance by segment was as follows:

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

In POS printers, sales in the Americas declined year on year despite a strong underpinning in demand from South America. This was because sales struggled toward the end of the first half in the North American market, despite a recovery in demand. In the robust Chinese market, sales growth was stymied by a decline in thermal printers, even though dot-matrix printers rose on surging demand, particularly from large-order customers and small and medium-size retail customers. Sales in Europe fell despite recovering demand centered on Germany. This outcome mainly reflected the unfolding fiscal crisis among southern European countries, coupled with political turmoil in the Middle East.

As a result, net sales for the segment fell 7.5% year on year to ¥3,678 million and operating income declined 53.5% to ¥198 million in the first two quarters.

#### **(Components)**

Sales of products to the automobile market were on a par with the same period a year earlier, owing to production cutbacks by automakers in the wake of the Great East Japan Earthquake. Sales of components for mobile phones and the like contracted sharply, reflecting the handling of fewer low-margin products.

Net sales for the period in this segment declined a substantial 43.6% to ¥1,515 million. The operating loss also widened to ¥530 million, from ¥250 million the same period a year ago.

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

CNC automatic lathes saw market conditions improve as the global economy continued to recover. By region, sales in the Asian market rose as orders received remained brisk. In addition to growth in the East Asian market, robust capital investment among automobile and motorcycle-related sectors in the Southeast Asian market spurred buoyant conditions. Sales in the U.S. market increased from a pickup in capital investment that was seen not only

in medical-related sectors, but in the automobile sector as well. The European market also witnessed increased capital investment among companies in export-related sectors, tracking a recovery mainly in exports triggered by a weaker euro. Orders recovered, centered on the automobile sector in Germany. Together, these factors resulted in significant sales growth in the European market. Sales in Japan rose in tandem with a gradual recovery from the affects of the Great East Japan Earthquake.

As a result of the above, the segment's net sales and operating income both increased: net sales rose 52.3% to ¥12,426 million, and operating income climbed 235.7% to ¥2,292 million.

During the period under review, the Group launched sales activities under the GEILI brand for the CSC16, a CNC automatic lathe jointly developed with the aim of cultivating China's low-end market. In addition, the Group announced two new models, the SB-12 II and SB-16 II, in a bid to strengthen its best-selling SB series of automatic lathes.

Also, the Company decided to establish a new manufacturing base in Nakhon Ratchasima Province, Thailand, augmenting bases in Japan and Dalian, China, with the aim of strengthening manufacturing capacity.

(Precision Products)

Sales of wristwatch components increased as sales held firm among Japanese wristwatch makers, as they mounted a prompt recovery from the Great East Japan Earthquake. In contrast, non-wristwatch components saw sales of car audio components decline, primarily due to model changes among target customers and impact of the earthquake and tsunami. Sales of components for small hard disk drives (HDD) declined, partly owing to a fall in unit sales prices in Japan and overseas.

As a result, segment sales declined by 1.3% year on year, to ¥2,122 million. Operating income, however, rose 5.2% to ¥373 million.

## **(2) Qualitative Information Concerning Consolidated Financial Position**

Total assets as of August 31, 2011 amounted to ¥51,918 million, up ¥2,668 million from February 28, 2011. The change was mainly attributable to increases in inventories and trade notes and accounts receivable due largely to higher sales. Total liabilities increased ¥2,044 million from the end of the previous fiscal year, primarily due to an increase in notes and accounts payable. Total net assets increased ¥624 million compared to February 28, 2011, mainly due to the net income result and an improvement in foreign currency translation adjustments, which outweighed the payment of dividends.

## **(3) Qualitative Information Concerning the Consolidated Earnings Projections**

Earnings projections have not been changed since they were revised on September 12, 2011.

## **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

(i) Changes in accounting standards

Application of accounting standards concerning asset retirement obligations

The Group has applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) from the first quarter of the fiscal year under review.

Accompanying this change, operating income and ordinary income each declined by ¥1,229 thousand, while income before income taxes and minority interests declined by ¥24,905 thousand for the second quarter relative to the accounting standard previously used. Asset retirement obligations fluctuated by ¥47,281 thousand due mainly to the application of this accounting standard.

(ii) Changes in disclosure methods

(Quarterly consolidated statements of income)

Based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the Group has applied the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009). As a result, “Income before minority interests” is included in the consolidated financial statements for the second quarter of the fiscal year ending February 2012.