

January 10, 2012

Fiscal 2012 Third-quarter Consolidated Earnings Report (Japanese GAAP)

Company name: Star Micronics Co., Ltd.

Stock listing: First Section, Tokyo Stock Exchange

Code: 7718 URL <http://www.star-m.jp>

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Scheduled release of fiscal 2012 Third-quarter Business Report: January 12, 2012

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 First Three Quarters of Fiscal 2012 (March 1, 2011 to November 30, 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)	%
Nine months ended November 30, 2011	30,284	21.3	2,752	397.9	2,767	761.3	1,514	—
Nine months ended November 30, 2010	24,975	18.4	552	—	321	—	(1,139)	—

	Net Income (Loss) Per Share	Diluted Net Income Per Share
	(¥)	(¥)
Nine months ended November 30, 2011	35.38	—
Nine months ended November 30, 2010	(26.05)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of November 30, 2011	50,537	36,015	70.3	844.63
As of February 28, 2011	49,250	37,096	73.9	845.31

Reference: Shareholders' Equity

As of November 30, 2011 ¥35,538 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 ending February 29, 2012	—	13.00	—		
Year ending February 29, 2012 (projected)				13.00	26.00

(Note) Modifications to the dividend projection in the third 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 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

New company: None Excluded company: 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: 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 November 30, 2011	47,033,234 shares	On February 28, 2011	51,033,234 shares
(ii) Number of shares of treasury stock at period-end	As of November 30, 2011	4,957,087 Shares	On February 28, 2011	7,956,911 shares
(iii) Average number of Outstanding shares (during the nine months ended November 30)	As of November 30, 2011	42,802,702 shares	On November 30, 2010	43,742,341 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 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.

1. Qualitative Financial Information

(1) Qualitative Information Related to Consolidated Operating Results

During the first three quarters of the fiscal year ending February 29, 2012, the U.S. economic recovery slowed and overall the European economies also lost momentum amid growing concerns for the fiscal and financial soundness of euro-zone countries. Meanwhile, Asia saw strong economic activity overall, with China continuing to lead the high growth despite the effects of tighter fiscal policies. In Japan, there were signs the economy was recovering from the Great East Japan Earthquake. 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 also experienced increased demand, mainly in the Americas. In the Precision Products Segment, business was brisk in Japanese 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, with sales increasing in Europe and all other regions. In the Special Products Segment, sales increased for dot-matrix printers in the Americas and other markets. Meanwhile, in the Components Segment, sales of products for the automobile market were flat year on year. In the Precision Products Segment, sales of wristwatch components grew, but sales of non-wristwatch components contracted, mainly in components for automobiles.

As a result of the above factors, Star Micronics reported consolidated sales of ¥30,284 million, up 21.3% year on year, for the first three quarters of fiscal 2012. As regards profits, increased sales in the Machine Tools Segment and other factors resulted in operating income of ¥2,752 million, up 397.9% year on year, and ordinary income was ¥2,767 million, up 761.3% year on year. The Group posted net income of ¥1,514 million, a sharp improvement compared with a net loss of ¥1,139 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 increased on the back of strong sales in the South American market and a continuing recovery in the North American market. Demand was seen to recover in the European markets also, driving an increase in sales despite financial problems in southern Europe and political turmoil in the Middle East. In the Chinese market, however, sales growth faltered despite strong first-half demand for dot-matrix printers from major customers and small- to medium-sized retailers, partly due to the effects of tighter fiscal policies.

As a result, while the segment saw sales improve by 1.7% year on year to ¥5,894 million, operating income declined 18.9% to ¥499 million.

(Components)

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

As a result, net sales for the period in this segment declined a substantial 37.8% to ¥2,231 million. The operating loss also widened to ¥821 million, from ¥340 million in the same period a year earlier.

(Machine Tools)

CNC automatic lathes saw market conditions improve as the global economy continued to recover. Lately, however, there has been a rising sense of uncertainty in the market regarding the impact of the debt crisis in Europe and other factors. By region, the European market 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 the U.S. market increased due to a pickup in capital investment in medical-related sectors and in the automobile sector. Sales grew in the Asian market too as orders received remained firm overall, supported by growth in the East Asian market and robust capital investment in the Southeast Asian market in the automobile and motorcycle-related sectors. In the Japanese market also, sales increased as production recovered among automakers.

As a result of the above, the segment's net sales and operating income both increased: net sales rose 52.6% to ¥18,840 million, and operating income climbed 319.8% to ¥3,764 million.

The Group also launched sales of a GEILI brand CSC16 CNC automatic lathe, a jointly developed product aimed at cultivating China's low-end market, as well as the SB-12 II and SB-16 II as part of its best-selling SB series of automatic lathes. In addition, the Group launched the SW-20, a new product targeting the wide range of fields that involve machining of complex parts, such as medical and automobile components.

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. In contrast, non-wristwatch components saw sales of automobile components decline, primarily due to model changes among target customers and the impacts 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. The Group's Ayutthaya production site in Thailand was damaged by the floods there; but, production has now been shifted to other sites, and full restoration of the damaged site is underway.

As a result, net sales for the segment rose 1.9% year on year to ¥3,318 million and operating income rose 8.7% to ¥653 million in the first three quarters.

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets at the end of the third quarter amounted to ¥50,537 million, up ¥1,287 million from February 28, 2011 despite the overall impact of foreign exchange rates. The assets side of the balance sheet mainly saw an increase in inventories due to the increase in sales and other factors. Total liabilities increased ¥2,367 million from the end of the previous fiscal year, primarily due to an increase in notes and accounts payable. Total net assets declined ¥1,080 million compared to February 28, 2011, mainly due to the payment of dividends and acquisition of treasury stock.

(3) Qualitative Information Concerning the Consolidated Earnings Projections

Earnings projections have been left unchanged from the revised projection announced on September 12, 2011. The Group will strive to gather various information such as market trends, and promptly announce any necessary changes to the earnings projections that may occur.

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 ¥1,845 thousand, while income before income taxes and minority interests declined by ¥25,521 thousand for the third quarter relative to the accounting standard previously used. Asset retirement obligations fluctuated by ¥47,516 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 third quarter of the fiscal year ending February 2012.