

April 11, 2012

**Consolidated Earnings Report for the Fiscal Year Ended February 29, 2012 (Japanese GAAP)**

Company name: Star Micronics Co., Ltd.

Stock listing: First Section, Tokyo Stock Exchange

Code no.: 7718 URL <http://www.star-m.jp>

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Scheduled annual general meeting of shareholders: May 24, 2012

Scheduled payment of dividends: May 25, 2012

Scheduled release of fiscal 2012 business report: May 25, 2012

Preparation of supplementary explanatory materials for earnings report: Yes

Earnings presentation: Yes

(Figures less than one million are rounded down)

1. Consolidated Results for the Fiscal Year Ended February 29, 2012 (From March 1, 2011 to February 29, 2012)

(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 29, 2012	41,654	16.6	3,952	176.6	4,025	237.1	2,426	-
Year Ended February 28, 2011	35,717	22.4	1,428	-	1,194	-	161	-

(Note) Comprehensive Profit

Year ended February 2012 1,942 ¥ million (- %) Year ended February 2011 -2,347 ¥ million (- %)

	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 29, 2012	56.94	-	6.7	8.0	9.5
Year Ended February 28, 2011	3.71	-	0.4	2.4	4.0

Reference: Equity in earnings of affiliated companies

Year ended February 2012 - ¥ million

Year ended February 2011 - ¥ million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 29, 2012	51,924	36,980	70.2	866.94
As of February 28, 2011	49,250	37,096	73.9	845.31

Reference: Shareholders' Equity

As of February 29, 2012 ¥36,477 million

As of February 28, 2011 ¥36,412 million

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Year-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year Ended February 29, 2012	4,466	(393)	(2,092)	14,735
Year Ended February 28, 2011	3,520	(1,517)	(1,813)	13,217

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)	%	%
FY2011	-	11.00	-	11.00	22.00	958	593.0	2.5
FY2012	-	13.00	-	13.00	26.00	1,106	45.7	3.0
FY2013 (projected)	-	15.00	-	15.00	30.00		39.4	

3.Consolidated Outlook for the Fiscal Year Ending February 28, 2013 (From March 1, 2012 to February 28, 2013)

(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	19,100	(3.3)	1,200	(17.0)	1,300	(15.9)	2,000	110.1	47.53
Full Year	39,300	(5.7)	2,800	(29.2)	3,000	(25.5)	3,200	31.9	76.05

\*Notes

(1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation): None  
New company : None  
Excluded company :None

(2) Changes in principles, procedures and classifications of accounting standards  
(i) Changes associated with revised accounting standards: Yes  
(ii) Changes other than those in (i) above: None  
(iii) Changes in accounting estimates: None  
(iv) Retrospective restatement: 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 29, 2012	47,033,234 shares	As of February 28, 2011	51,033,234 shares
(ii) Number of shares of treasury stock at period-end	As of February 29, 2012	4,957,248 Shares	As of February 28, 2011	7,956,911 Shares
(iii) Average number of Outstanding shares	As of February 29, 2012	42,621,031 shares	As of February 28, 2011	43,575,866 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Results for the Fiscal Year Ended February 29, 2012 (March 1, 2011 to February 29, 2012)

(1) Non-consolidated Operating Results

(Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income (Loss)		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Year Ended February 29, 2012	29,960	17.4	665	-	2,467	(11.2)	3,225	52.8
Year Ended February 28, 2011	25,511	39.9	(1,016)	-	2,779	-	2,111	-

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended February 29, 2012	75.68	-
Year Ended February 28, 2011	48.45	-

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 29, 2012	44,967	33,041	73.5	785.02
As of February 28, 2011	41,626	31,618	76.0	734.01

Reference: Shareholders' Equity

As of February 29, 2012: ¥33,030 million

As of February 28, 2011: ¥31,618 million

\*Disclosure regarding status of auditing procedure enactment

This earnings report is not subject to the auditing procedures stipulated by Japan's Financial Instruments and Exchange Act. Consequently, auditing procedures for financial statements based on the Financial Instruments and Exchange Act were not completed as of date of release of this report.

\*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 and certain assumptions the Company considers reasonable. Actual results may differ materially from projections due

to a variety of factors. For information regarding the assumptions and other matters related to earnings projections in this report, refer to "(1) Analysis of Operating Results (Outlook for Fiscal 2013)" under "1. Operating Results" page 5.

## **1. Operating Results**

### **(1) Analysis of Operating Results**

#### **(i) Fiscal 2012 operating results**

During the fiscal year ended February 29, 2012, the U.S. economic recovery slowed and the European economies overall also lost momentum amid growing concerns for the fiscal and financial soundness of euro-zone countries. Meanwhile, Asia generally maintained strong rates of economic growth, despite the effects of tighter fiscal policies in China. In Japan, there were signs the economy was recovering from the Great East Japan Earthquake, although the situation continues to be severe. 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. due to recovery in capital investment sentiment. The Special Products Segment also experienced increased demand, mainly from the POS printer market in the Americas. In the Precision Products Segment, sales were brisk among Japanese wristwatch manufacturers.

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 were on par with the previous year as brisk sales of thermal printers in the Americas offset struggling sales in China. 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, tracking production among wristwatch manufacturers, but sales of non-wristwatch components contracted, mainly in components for small hard disk drives (HDD) and automobiles.

As a result of the above factors, Star Micronics reported consolidated net sales of ¥41,654 million, up 16.6% year on year. As regards profits, increased sales in the Machine Tools Segment and other factors resulted in operating income of ¥3,952 million, up 176.6% year on year, and ordinary income was ¥4,025 million, up 237.1% year on year. The Group posted net income of ¥2,426 million, a sharp improvement compared with ¥161 million net income 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 demand in the North American market. Demand was seen to recover in the European markets also, preserving sales on par with the previous fiscal year despite financial problems in southern Europe and political turmoil in the Middle East. In the Chinese market, however, sales growth faltered in the second half of the fiscal year because of struggling demand for dot-matrix printers from major customers, partly due to the effects of tighter fiscal policies.

As a result, while the segment saw sales improve by 0.3% year on year to ¥7,806 million, operating income declined 21.6% to ¥581 million.

#### **(Components)**

Sales of products to the automobile market were on a par with the same period a year earlier owing to sustained 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 33.1% to ¥2,944 million. The operating loss also widened to ¥955 million, from ¥558 million a year earlier.

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

CNC automatic lathes saw market conditions improve as the global economy continued to recover, offsetting the market impact of the financial crisis in Europe at the end of the fiscal year. By region, the European market witnessed increased capital investment among companies in export-related sectors 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 firmly in the Asian market too, 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 principally among automakers.

As a result of the above, the segment's net sales and operating income both increased sharply: net sales rose 38.1% to ¥26,639 million, and operating income climbed 146.7% to ¥5,365 million.

The Group also launched sales under the GEILI brand of a 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 Group in February established 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) also declined, mainly owing to flood damage at our production site in Thailand. Full restoration work at the Group's flood-damaged Ayutthaya production site is moving apace, with a return to normal operations expected by the middle of this year.

As a result, net sales for the segment rose 0.3% year on year to ¥4,263 million and operating income rose 5.3% to ¥762 million for the year.

**(ii) Outlook for Fiscal 2013**

Global economic conditions are likely to remain plagued overall by uncertainty in the coming term. While signs of recovery in the U.S. economy are emerging, and continued growth is projected for China and other Asian economies, additional time is required before a fundamental solution to Europe's fiscal and financial woes can be found.

Under the circumstances, consolidated business performance in the coming fiscal year will likely see growth in sales of mobile printers and other products in the Special Products Segment. Similarly in the Precision Products Segment, sales of components for small hard disk drives (HDD) are expected to increase in addition to the continuation of strong sales of wristwatch components. In contrast, sales in the Machine Tools Segment are set to decline primarily due to a drop in demand in the mainstay European market.

As a result, the Group is projecting net sales for fiscal 2013 of ¥39,300 million, down 5.7% from the previous fiscal year. In terms of profit, operating income is expected to decline 29.2% year on year, to ¥2,800 million, with ordinary income down 25.5% to ¥3,000 million, mainly due to lower sales in the Machine Tools Segment. Net income, however, is projected to increase 31.9% year on year, to ¥3,200 million. This growth should largely reflect insurance income from the flooding in Thailand being booked as extraordinary income.

These forecasts assume a foreign exchange rate of \$1 to ¥80, and 1 euro to ¥105.