

Financial Results for Fiscal 2014, the Year Ended February 28, 2014

STAR MICRONICS CO., LTD.

<http://www.star-m.jp>

Code 7718

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* The projections in this document are based on information available at the time of release of this report and certain assumptions the Company considers reasonable.
The Company does not promise that these projections will be achieved. Actual results may differ materially from projections due to a variety of factors.

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※ From the fiscal year ending February 2014, the Components Segment has been renamed the Micro Audio Components Segment.

Operating income and ordinary income increased significantly.

■ Net Sales	: ¥43.48 billion	14.9% up	YoY
■ Operating Income	: ¥2.60 billion	65.0% up	YoY
■ Ordinary Income	: ¥3.21 billion	42.8% up	YoY
■ Net Income	: ¥1.14 billion	50.3% down	YoY

- ✓ **Net sales increased due to the yen's depreciation, a recovery in the Machine Tools Segment in the second half of the fiscal year, and other factors.**
- ✓ **Operating income and ordinary income increased substantially on the back of increased sales.**
- ✓ **Net income declined significantly because of recording a patent right settlement as an extraordinary loss, especially in relation to the previous fiscal year, when an extraordinary gain on insurance income was posted.**

Financial Data



(Millions of Yen)

	FY2/13 Actual			FY2/14 Actual			FY2/15 Forecast						
	Full-Year			Full-Year			1st Half		2nd Half		Full-Year		
	Amount	Income Ratio (%)	2012/2013 Change (%)	Amount	Income Ratio (%)	2013/2014 Change (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	Amount	Income Ratio (%)	2014/2015 Change (%)
Sales													
Special Products	7,806		(0.0)	9,455		21.1	4,780		5,460		10,240		8.3
Micro Audio Components	3,233		9.8	3,166		(2.1)	-		-		-		-
Machine Tools	22,897		(14.0)	26,969		17.8	14,540		17,460		32,000		18.7
Precision Products	3,922		(8.0)	3,891		(0.8)	2,080		2,180		4,260		9.5
Total	37,858		(9.1)	43,481		14.9	21,400		25,100		46,500		6.9
Operating Income													
Special Products	257	3.3	(55.7)	975	10.3	279.0	570	11.9	770	14.1	1,340	13.1	37.3
Micro Audio Components	(191)	-	-	143	4.5	-	-	-	-	-	-	-	-
Machine Tools	3,120	13.6	(41.8)	3,597	13.3	15.3	2,010	13.8	3,050	17.5	5,060	15.8	40.6
Precision Products	355	9.1	(53.3)	140	3.6	(60.6)	220	10.6	280	12.8	500	11.7	256.7
Eliminations or Corporate	(1,963)			(2,250)			(1,050)		(1,150)		(2,200)		
Total	1,579	4.2	(60.0)	2,606	6.0	65.0	1,750	8.2	2,950	11.8	4,700	10.1	80.3
Ordinary Income	2,254	6.0	(44.0)	3,219	7.4	42.8	1,900	8.9	3,100	12.4	5,000	10.8	55.3
Net Income	2,299	6.1	(5.2)	1,143	2.6	(50.3)	1,300	6.1	2,300	9.2	3,600	7.7	214.9

ROE (%)	6.0	2.7	8.0
Cash Dividends Applicable to the Year	¥30	¥34	¥38
DOE (%)	3.3	3.4	3.5

※ROE (Return on Equity) = Net Income / Shareholders' Equity (average for the beginning and end of the period) x 100(%)

※DOE (Dividend on Equity) = The ratio of the non-consolidated dividend per common share (annual) / consolidated net assets per share (year average) x 100(%)

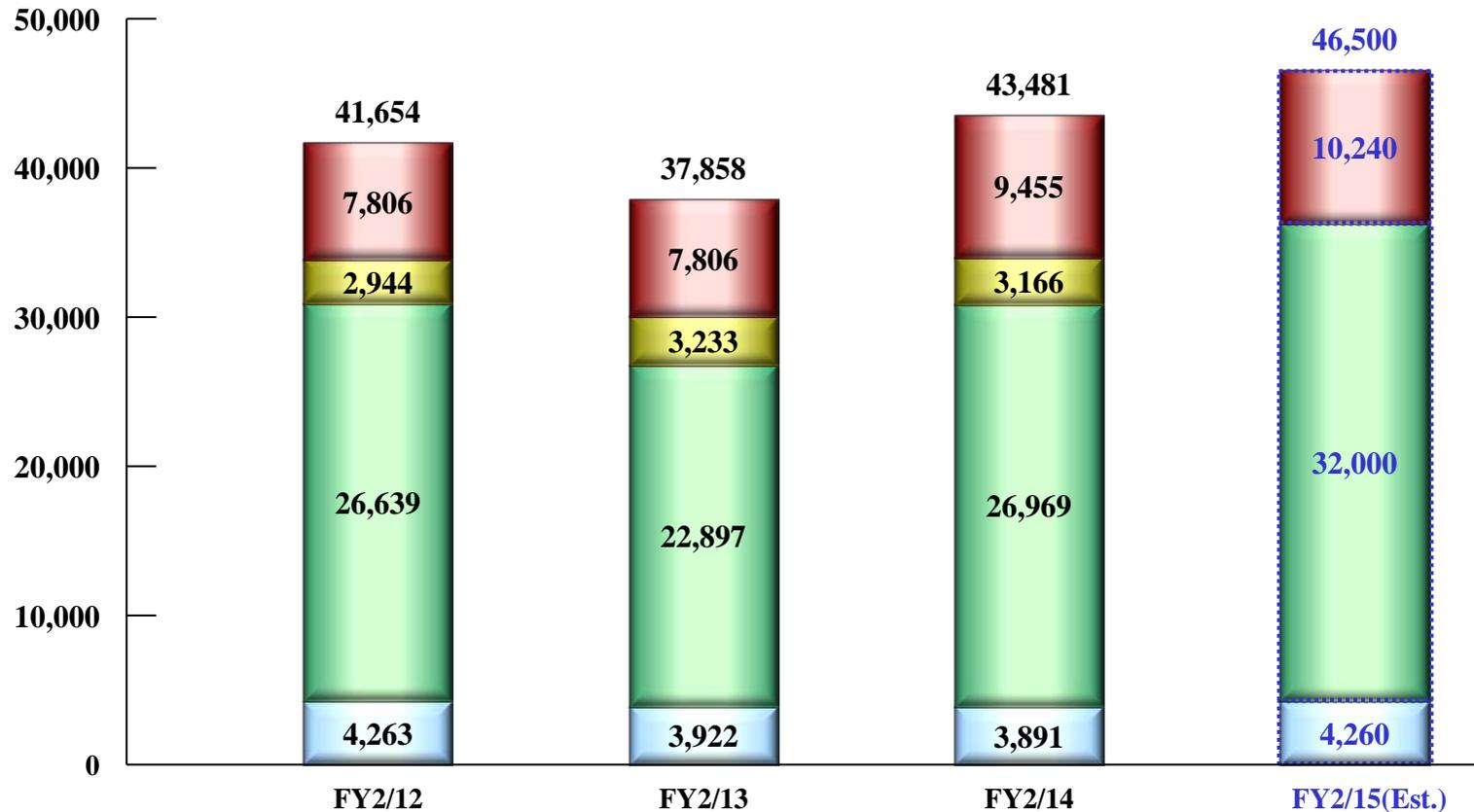
Exchange Rate				Full-Year assumption	Foreign exchange sensitivity
		US\$	EUR	GBP	CHF
	US\$	¥ 79.83	¥ 97.65	¥100.00	¥24 million
	EUR	¥102.63	¥129.69	¥135.00	¥39 million
	GBP	¥126.50	¥152.71	¥160.00	¥8 million
	CHF	¥ 85.17	¥105.36	¥ 110.00	¥34million

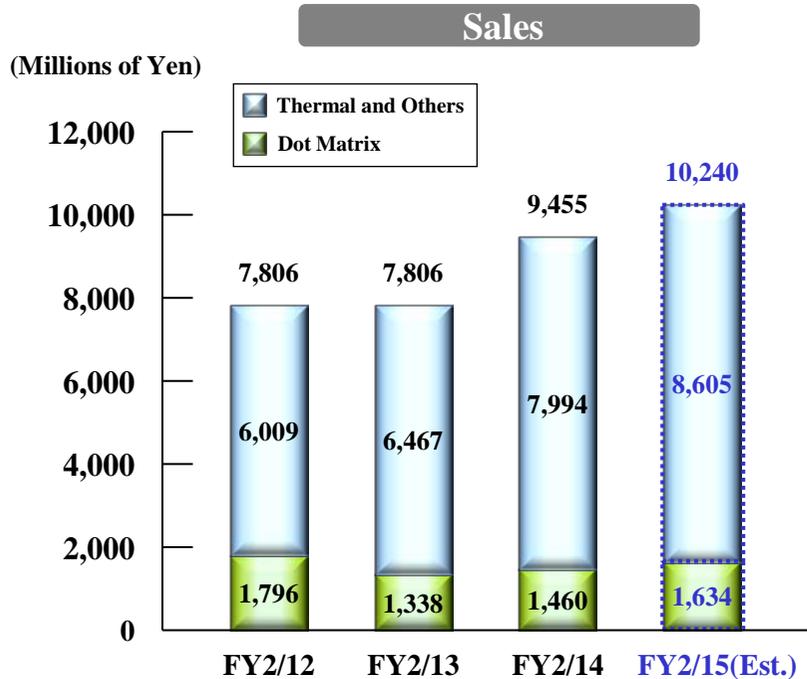
Foreign exchange sensitivity: Sensitivity of operating income to a ¥1 change in foreign exchange rates.

Sales by Segment

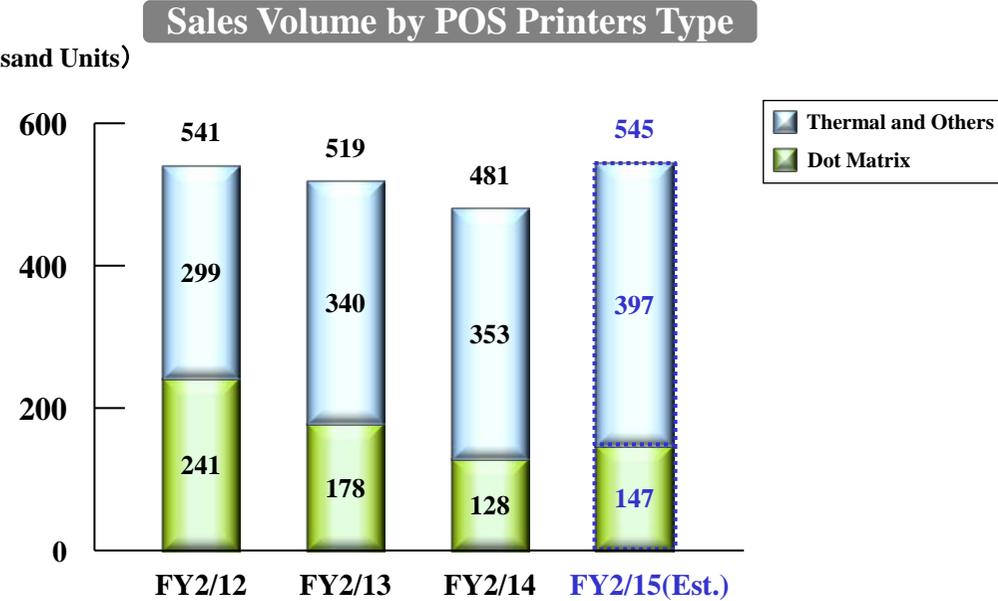


(Millions of Yen)

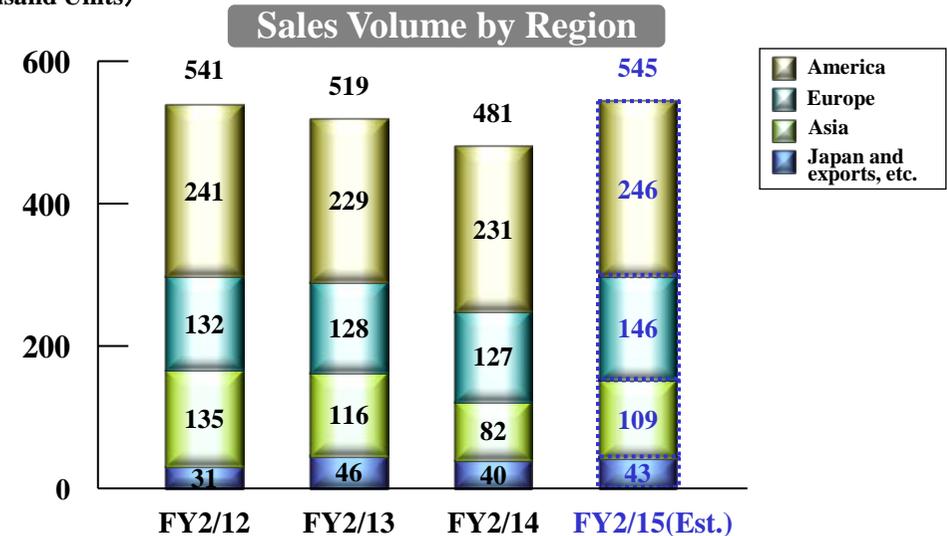




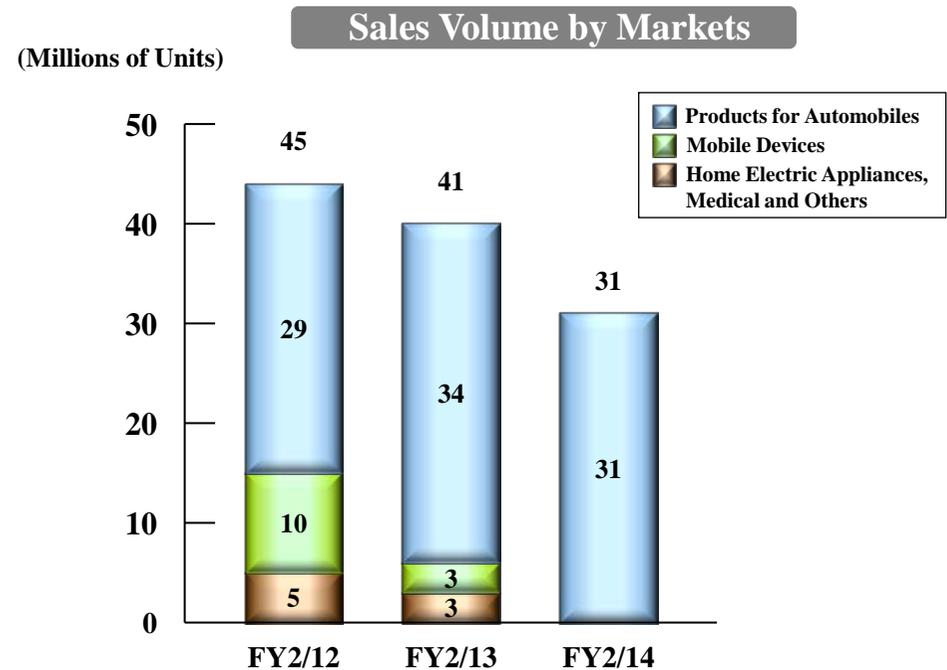
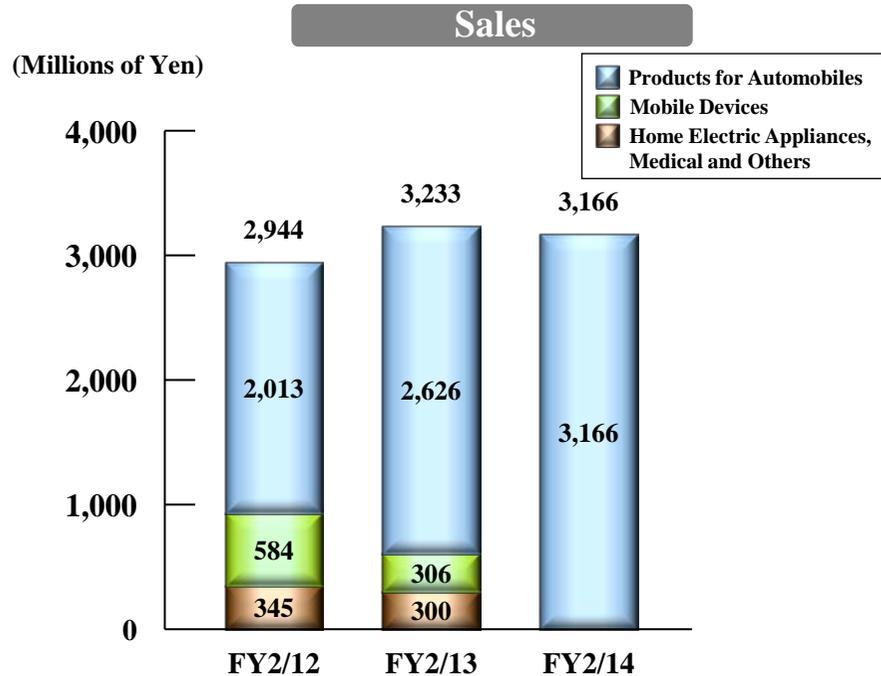
(Thousand Units)



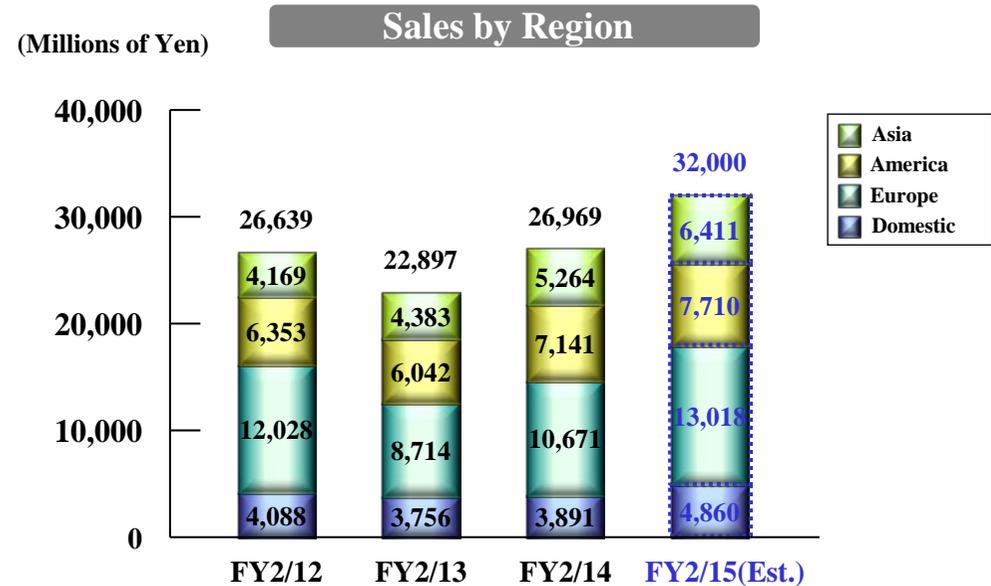
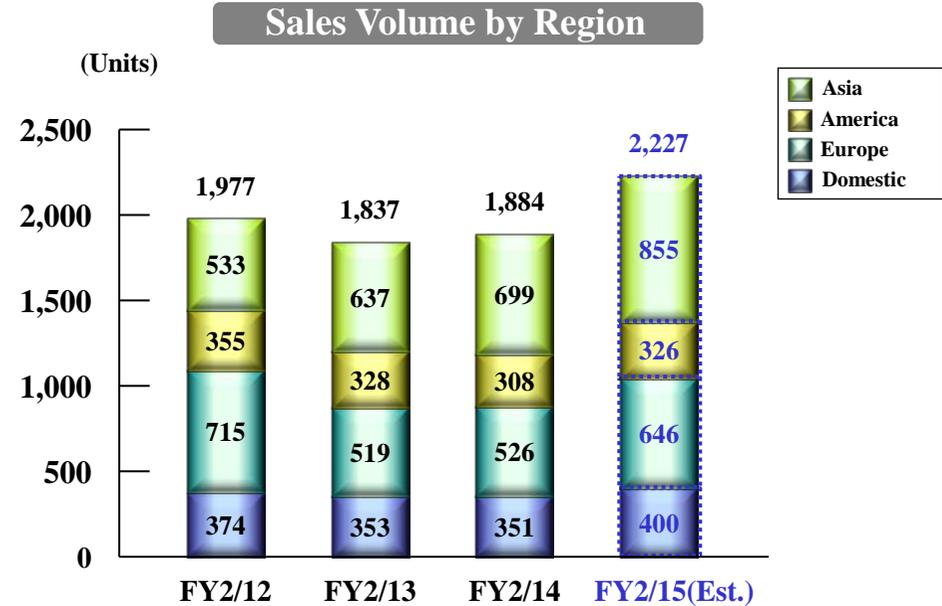
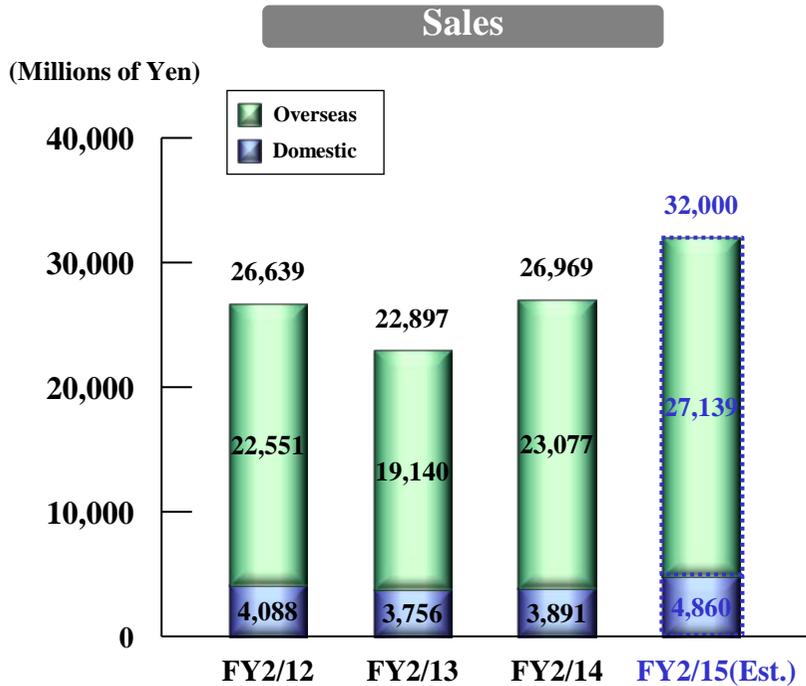
(Thousand Units)



- Sales of thermal printers rose on the back of robust growth in demand from markets in North America and Japan. Other contributing factors included new orders captured in the European market, as well as the yen's depreciation.
- Sales of dot-matrix printers increased year on year, due partly to the positive impact of currency exchange rates, despite stagnant demand from markets in Europe and Asia.



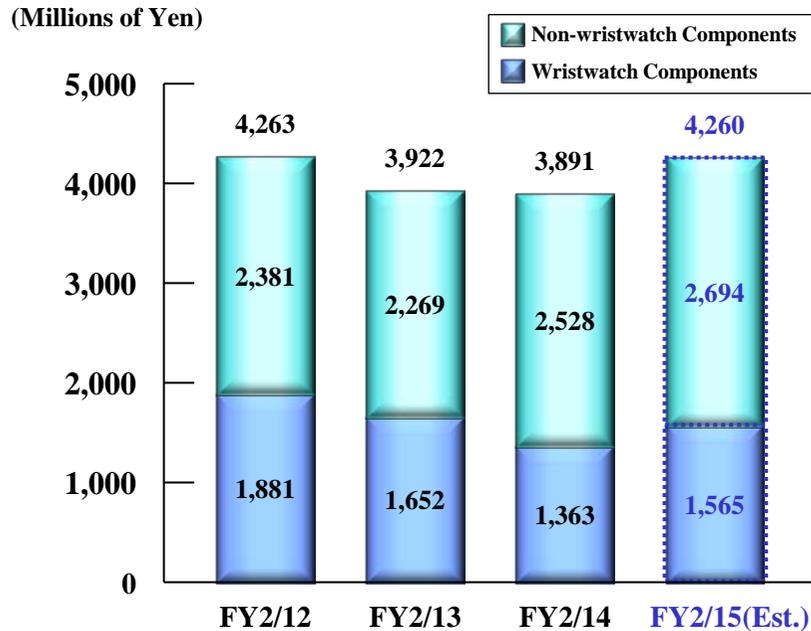
▪ After fulfilling its responsibility to supply customers with products, this business segment was closed following the transfer of business operations to Foster Electric Company, Limited, which was completed on January 1, 2014.



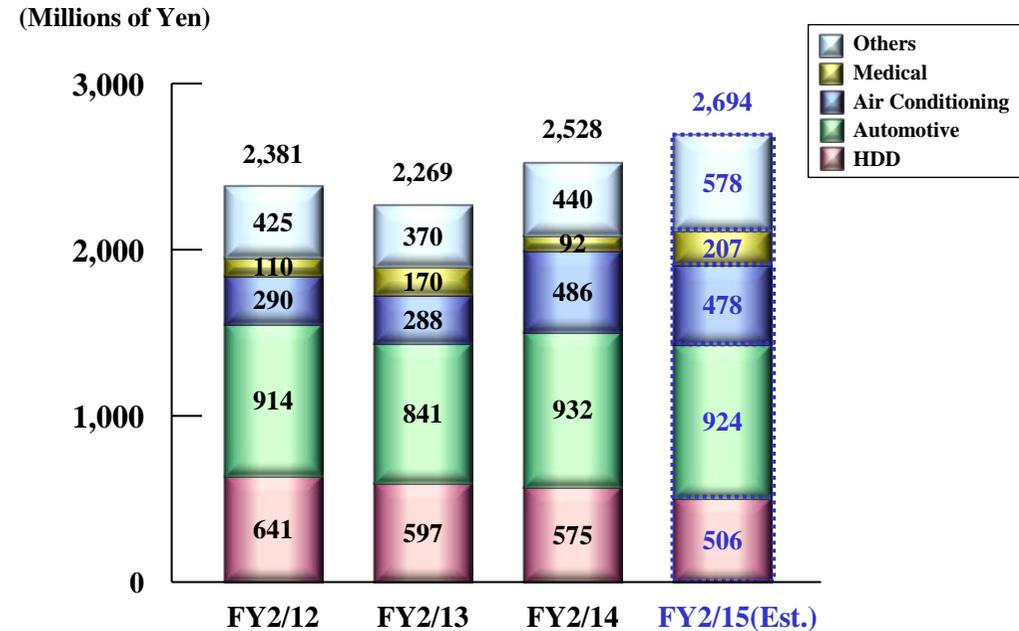
- Sales in the U.S. increased on the back of steady growth in the medical equipment and other sectors, helped partly by the positive impact of currency exchange rates.
- Sales in the Asian market rose atop growth in demand from the mobile device-related, medical equipment and other sectors in East Asia, despite sluggish sales in the Chinese market.
- Sales in the mainstay European market increased after lackluster conditions in the first half of the fiscal year began to recover gradually from the summer onward, and were also aided by the impact of currency exchange rates.
- Sales in the Japanese market increased toward the second half of the fiscal year, centered on the automobile-related sector.



Sales



Sales of Non-wristwatch Components

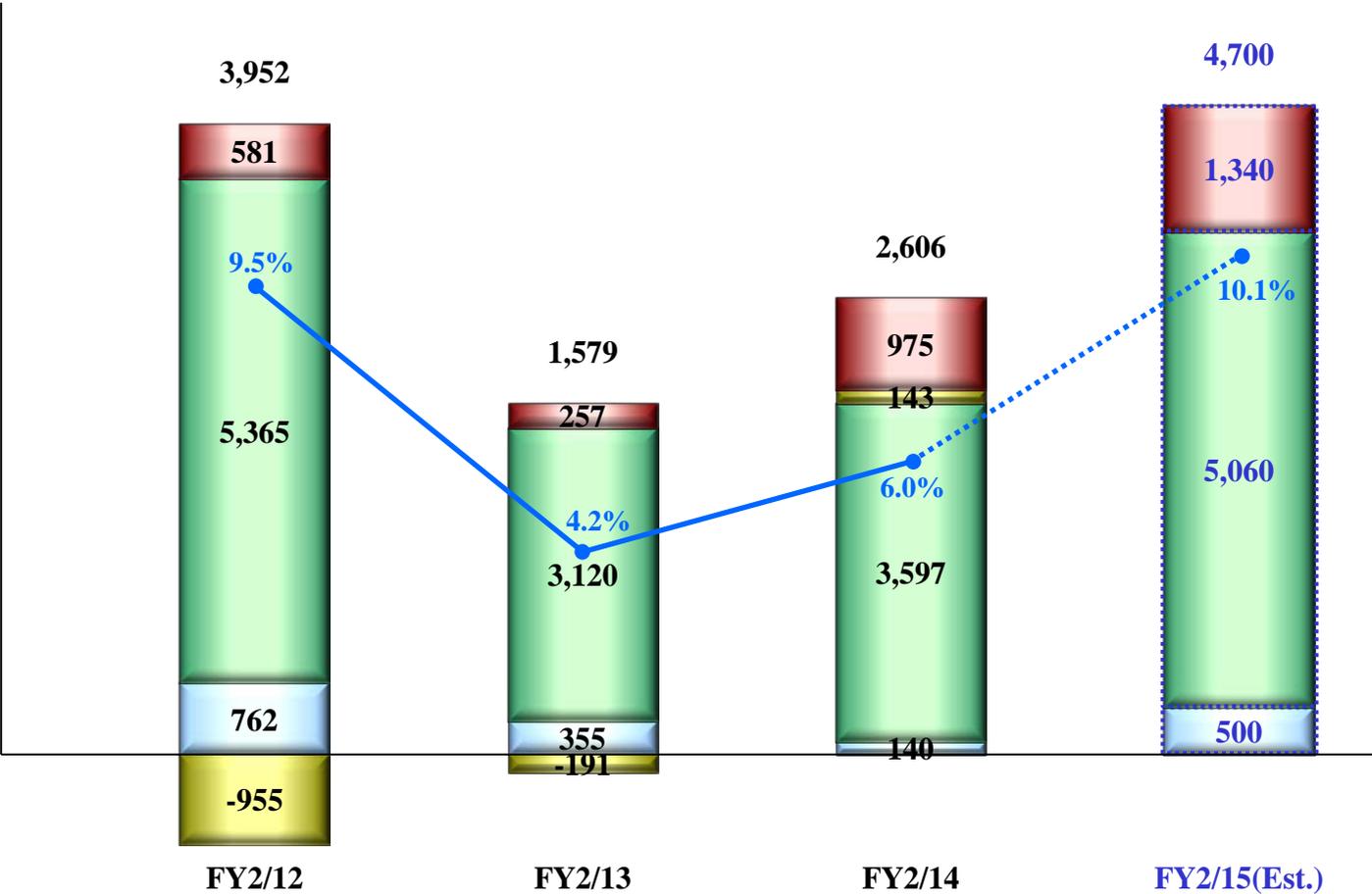


- Sales of wristwatch components fell after a recovery due to a decline in the first half despite rebounding in the second half as watch-makers made inventory adjustments.
- In non-wristwatch components, sales increased because of the positive effect of currency exchange rates and brisk sales for air conditioning-related components and automobile-related components, although HDD component sales declined.

Operating Income by Segment



(Millions of Yen)



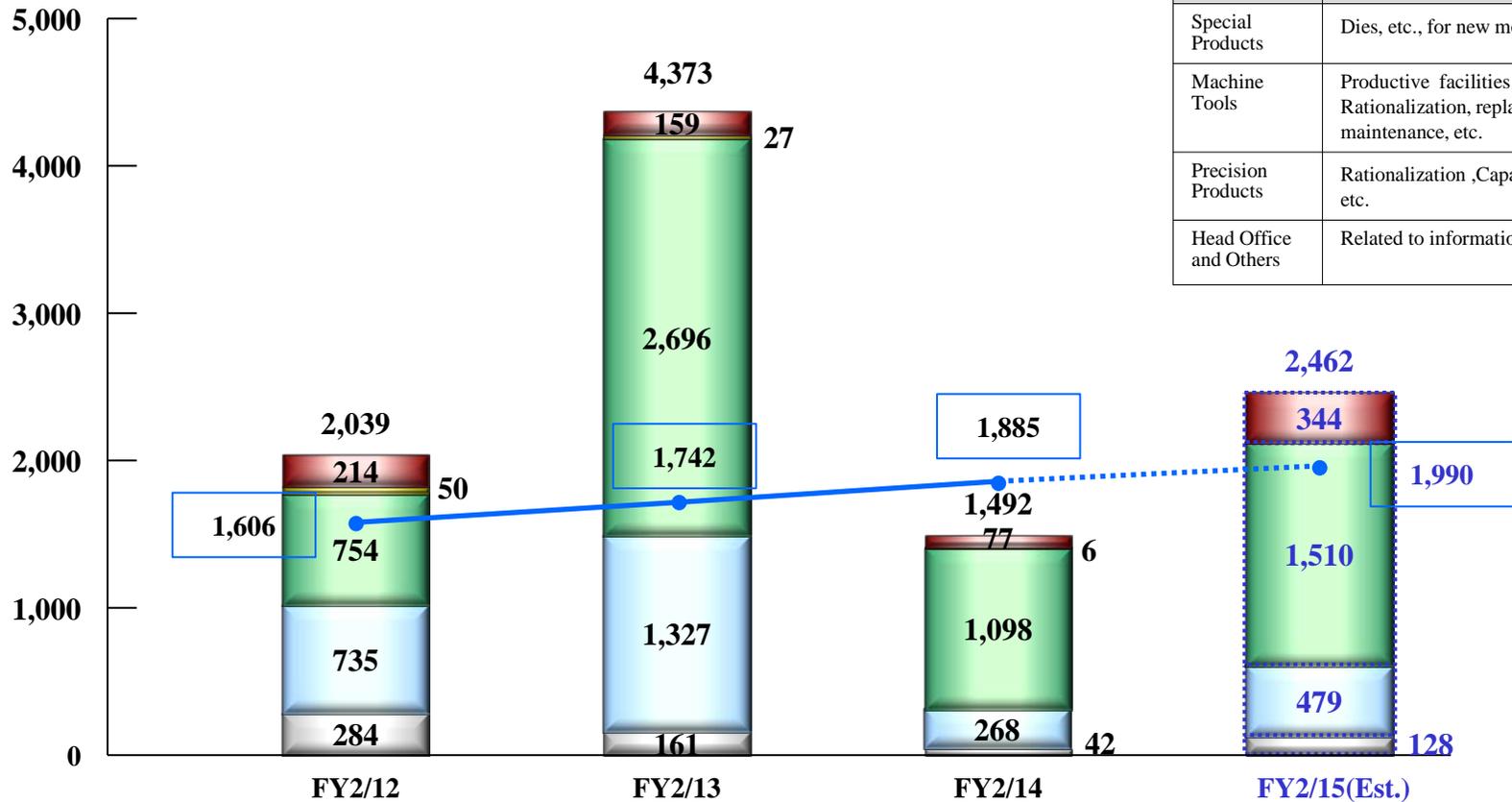
Special Products	Micro Audio Components	Operating Income Ratio
Machine Tools	Precision Products	

*Operating income totals exclude eliminations and corporate.

Capital Investment



(Millions of Yen)



【Scheduled Main Uses of Capital Investment】

	Breakdown
Special Products	Dies, etc., for new models
Machine Tools	Productive facilities of Thai plant Rationalization, replacement and maintenance, etc.
Precision Products	Rationalization ,Capacity enhancement, etc.
Head Office and Others	Related to information systems, etc.



Balance Sheets



(Millions of Yen)

		Feb.2012 Actual		Feb.2013 Actual		Feb.2014 Actual		Feb.2015 Forecast	
		Amount	Component percentages	Amount	Component percentages	Amount	Component percentages	Amount	Component percentages
Assets	Cash and deposit	15,640	30%	13,987	27%	15,279	26%	15,800	26%
	Trade notes and accounts receivable	9,849	19%	9,148	17%	12,115	20%	14,200	23%
	Inventories	11,378	22%	11,398	22%	12,748	22%	12,600	20%
	Other current assets	1,433	3%	1,291	2%	1,089	2%	1,000	2%
	Total current assets	38,302	74%	35,826	68%	41,232	70%	43,600	71%
	Property, plant and equipment	10,289	20%	13,476	26%	14,326	24%	14,200	23%
	Other fixed assets	3,333	6%	3,261	6%	3,742	6%	4,000	6%
	Total fixed assets	13,622	26%	16,737	32%	18,069	30%	18,200	29%
	Total assets	51,924	100%	52,564	100%	59,302	100%	61,800	100%
Liabilities	Trade notes and accounts payable	7,554	14%	5,281	10%	5,651	10%	5,600	9%
	Short-term debt	2,000	4%	2,000	4%	2,000	3%	2,000	3%
	Other current liabilities	4,983	10%	4,269	8%	5,428	9%	7,075	12%
	Total current liabilities	14,538	28%	11,550	22%	13,080	22%	14,675	24%
	Total long-term liabilities	406	1%	303	1%	523	1%	800	1%
	Total liabilities	14,944	29%	11,854	23%	13,604	23%	15,475	25%
Net assets	Total net assets	36,980	71%	40,710	77%	45,697	77%	46,325	75%
Total liabilities and net assets		51,924	100%	52,564	100%	59,302	100%	61,800	100%

Cash Flows

(Millions of Yen)

	Feb.2012 Actual	Feb.2013 Actual	Feb.2014 Actual	Feb.2015 Forecast
Net cash provided by operating activities	4,466	483	2,596	5,700
Net cash used in investing activities	(393)	(1,907)	(2,455)	(1,500)
Free cash flow	4,073	(1,424)	141	4,200
Net cash used in financing activities	(2,092)	(1,201)	(1,394)	(1,700)
Cash and cash equivalents at end of year	14,735	13,198	14,080	15,800

※The year-end balance of cash and cash equivalents shown here differs from the cash and cash equivalents shown in the balance sheets, mainly because it does not include time deposits over 3-month period.

Financial Benchmarks

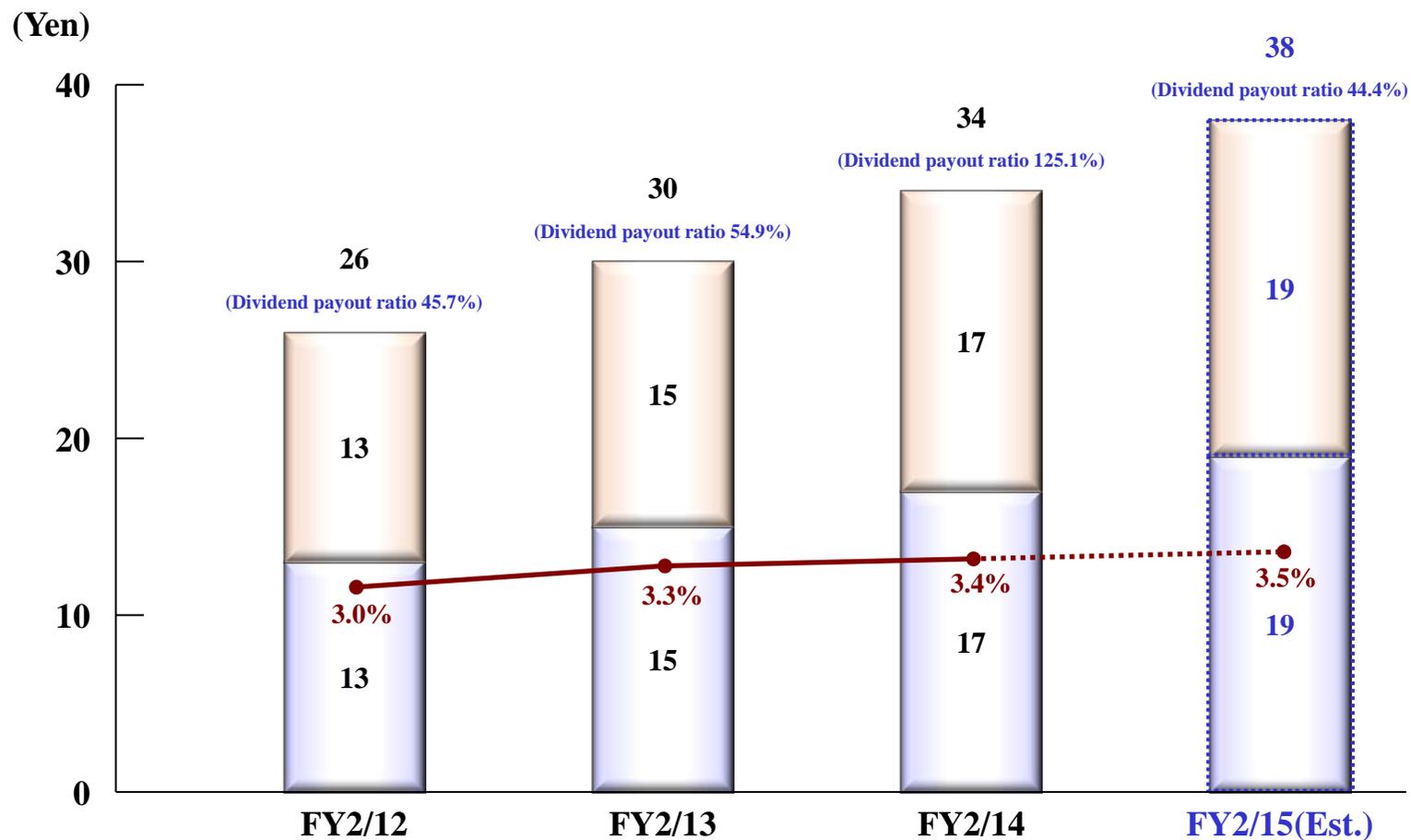
	Feb.2012 Actual	Feb.2013 Actual	Feb.2014 Actual	Feb.2015 Forecast
Total asset turnover	0.8 times	0.7 times	0.8 times	0.8 times
Equity ratio	70.2%	76.1%	75.5%	73.6%
Return on equity(ROE)	6.7%	6.0%	2.7%	8.0%
Return on assets(ROA)	8.0%	4.3%	5.8%	8.3%
Earnings per share(EPS)	¥56.94	¥54.66	¥27.17	¥85.51
Book value per share(BPS)	¥866.94	¥951.14	¥1,063.52	¥1,079.73
Dividend on equity (DOE)	3.0%	3.3%	3.4%	3.5%

Research and Development Costs

(Millions of Yen)

	Feb.2012 Actual	Feb.2013 Actual	Feb.2014 Actual	Feb.2015 Forecast
R&D costs	1,807	1,894	1,946	1,825

Shareholder Returns



We aim to ensure profitability and raise growth opportunities, and steadily make sustained returns to shareholders, by optimizing the allocation of business resources and by restructuring our businesses.

Ensure Profitability

- Capture high shares in global niche markets
- Concentrate business resources on highly profitable products and markets
- Create high-value-added products

Raise Growth Opportunities

- Strengthen our sales organization in emerging markets
- Build an optimal production system by utilizing overseas production bases
- Implement business alliances and M&As to strengthen our core competencies

Maintain Soundness

- Equity ratio :75% or more
- Ratio of net cash (to total assets) :25% or more
- Enhancement of shareholder returns
 - Dividend payout ratio : 40% or more
 - Dividend on equity : 4.5% or more

Medium-term Targets



- Net Sales ¥53.0 billion
- Operating Income ¥7.5 billion
- Net Income ¥5.5 billion
- Return on Equity(ROE) 10% or more
- Earnings Per Share(EPS) ¥100 or more
- Shareholder Returns Consolidated dividend payout ratio 40% or more
Dividend on equity 4.5% or more

(100 Millions of Yen)

	FY2/14 Actual		FY2/15 Plan		FY2/17 Targets	
	Amount	Income Ratio	Amount	Income Ratio	Amount	Income Ratio
Sales						
Special Products	94		102		120	
Machine Tools	269		320		360	
Precision Products	38		42		50	
Micro Audio Components	31		—		—	
Total	434		465		530	
Operating Income	26	6.0%	47	10.1%	75	14.2 %
Ordinary Income	32	7.4%	50	10.8 %	75	14.2 %
Net Income	11	2.6%	36	7.7 %	55	10.4 %

Return on Equity(ROE)	2.7%	8.0%	11.0%
Earnings Per Share(EPS)	¥27.17	¥85.51	¥130.65
Cash Dividends Applicable to the Year	¥34	¥38	¥52

Performance Indicators (10-Year Data)



	Net Sales (Millions of Yen)	Operating Income (Millions of Yen)	Income Ratio(%)	Ordinary Income (Millions of Yen)	Income Ratio(%)	Net Income (Millions of Yen)	Income Ratio(%)	EPS (Yen)	ROE (%)	DOE (%)	Dividends Per Share (Yen)
FY2/05	49,689	6,343	12.8	6,357	12.8	3,775	7.6	70.13	8.2	1.7	15.0
FY2/06	54,788	8,108	14.8	8,386	15.3	5,151	9.4	95.60	10.1	2.2	21.0
FY2/07	62,670	10,444	16.7	10,862	17.3	7,012	11.2	131.09	12.2	3.0	32.0
FY2/08	73,883	14,651	19.8	15,170	20.5	8,080	10.9	150.74	12.8	4.7	56.0
FY2/09	56,952	8,544	15.0	8,923	15.7	4,338	7.6	85.66	7.3	3.8	45.0
FY2/10	29,180	(3,984)	-	(3,884)	-	(8,555)	-	(187.95)	-	2.2	22.0
FY2/11	35,717	1,428	4.0	1,194	3.3	161	0.5	3.71	0.4	2.5	22.0
FY2/12	41,654	3,952	9.5	4,025	9.7	2,426	5.8	56.94	6.7	3.0	26.0
FY2/13	37,858	1,579	4.2	2,254	6.0	2,299	6.1	54.66	6.0	3.3	30.0
FY2/14	43,481	2,606	6.0	3,219	7.4	1,143	2.6	27.17	2.7	3.4	34.0
FY2/15(Est.)	46,500	4,700	10.1	5,000	10.8	3,600	7.7	85.51	8.0	3.5	38.0

Special Products

POS Printer
TSP100ECO



Mobile Printer
SM-S210i



Card Reader/Writer
TCP300 II

Machine Tools



CNC Swiss Type Automatic Lathe
ST-38



Turning Center
SF-25



CNC Automatic Lathe
SG-42

Precision Products

Wristwatch Components



Non-Wristwatch Components

(Automotive, Air Conditioning, HDD and Medical Components)



(Automotive Components)