



Star Micronics Co., Ltd.  
ANNUAL REPORT  
2000

# Profile

## *Business*

Operating globally, Star Micronics Co., Ltd. is engaged in the manufacture and sales of electronic equipment, machine tools and precision components. The Company's main products are electronic buzzers for mobile communication equipment, printers for point of sale (POS), printers for business applications, card readers/writers, and other electronic equipment, as well as CNC automatic lathes and wristwatch components. Star Micronics has leading shares of the global market for electronic buzzers used in portable terminals and Swiss-type CNC automatic lathes. 60% of wristwatches manufactured in Japan contain Star Micronics components.



## *Scale of Operations*

Star Micronics Group consists of the parent company, 22 subsidiaries and one affiliate. The head office is located in Shizuoka prefecture, southwest of Tokyo. There are nine production facilities in Japan, most of them in Shizuoka prefecture, three in Asia, and one in Europe. Seven sales subsidiaries in Europe, Asia and North America provide coverage of the global market. Star Micronics Group has about 4,000 employees.

## *Corporate Philosophy*

HUPAS Humanity, User First, Profitable, Aggressive, Society  
Star Micronics is a technology enterprise whose core strengths are in IT, precision processing and assembly. Inspired by a profound respect for humanity and an approach to business in which the user always comes first, we aim to be highly profitable and, through an aggressive proactive approach to all we do, to contribute to society around the world.

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# Consolidated Financial Highlights

**Star Micronics Co., Ltd. and Consolidated Subsidiaries**  
**Years ended February 29, 2000 and February 28, 1999**

	Millions of Yen		change (%)	Thousands of U.S. dollars(Note)
	2000	1999	2000/1999	2000
<b>For the year:</b>				
Net sales .....	¥44,914	¥46,480	(3.4)%	\$408,309
Net income .....	2,702	3,899	(30.7)	24,564
Return on sales .....	6.0%	8.4%		
Capital expenditures .....	3,047	4,382	(30.5)	27,700
Depreciation and amortization .....	2,971	3,065	(3.1)	27,009
<b>At year – end:</b>				
Total assets .....	¥62,950	¥61,525	2.3 %	\$572,273
Shareholders' equity .....	42,932	40,584	5.8	390,291
Equity ratio .....	68.2%	66.0%		
Interest– bearing debt .....	4,358	4,962	(12.2)	39,618
<b>Per share:</b>				
	Yen		change (%)	U.S. dollars
Net income .....	¥ 47.84	¥ 69.02	(30.7)%	\$ 0.43
Fully diluted net income .....	47.81	69.00	(30.7)	0.43
Cash dividends applicable to the year .....	7.00	7.00		0.06
<b>Stock information:</b>				
Common shares issued .....	56,533,234	56,494,244	0.1 %	
Number of shareholders .....	6,217	9,018	(31.1)	

Note: The rate of ¥110 to US\$ 1, prevailing on February 29, 2000 has been used for translation into U.S. dollar amounts.

# A Message from the President

## ***Results of the year***

I welcome this opportunity to address all our shareholders as we present our financial results for the fiscal year ended February 29, 2000.

With regard to the global economy for this period, the U.S. economy continued its sparkling performance, the major European economies were quite robust, and the economies elsewhere in Asia were generally on the road to recovery. In contrast, the Japanese economy remained weak, held back by the persisting sluggishness of private-sector capital investment and personal consumption.

In these circumstances, with a new management system in place, we strove to enhance the effectiveness of its marketing by utilizing management resources to the maximum extent. Specifically, we revised our product lines so as to give greater emphasis to profitability and streamlined the organization.



The Precision Electronic Equipment and Machine Tools Divisions concentrated on development of products geared to the needs of customers in the globally expanding IT field, while stepping up sales and marketing activities. As a result, sales of electronic buzzers rose greatly, due to a sharp increase in orders from major cellular telephone manufacturers. Sales of CNC automatic lathes increased in Japan and markets elsewhere in Asia, but declined in the American and European markets due to slowing demand and rapid appreciation of the yen. The Precision Products Division focused on securing orders for components for applications other than wristwatches, but this did not fully compensate for wristwatch manufacturers' reduced production.

As a result, net sales for the period came to ¥44,914 million (a decrease of 3.4% from the previous period). The operating environment was severe as the yen continued to appreciate. Although we made every effort to reduce expenses and enhance productivity by refurbishing facilities, operating income declined 22.7% to ¥4,553 million and net income fell 30.7% to ¥2,702 million.

Our basic policy is to maintain stable dividends to the maximum extent that the Company's financial performance and the operating environment allow. Based on this policy, dividends for the end of the

fiscal year were set at ¥3.50 per share, the same as for the previous year. As a result, dividends for the entire year were ¥7 including the interim dividend.

**Looking ahead**

Although the indications are that the world economy will remain robust, there is a concern that the lengthy U.S. economic boom may falter somewhat. Since recovery of the Japanese economy is likely to be slow-paced, the tough business environment is expected to persist.

We intend to optimize development, production and sales from a global perspective, while allocating resources so as to sharpen its international competitiveness, and thus, win in a global marketplace that is being transformed by the quickening pace of IT. In developing new businesses, we will always focus on those fields with the highest growth potential. In order to position Star Micronics as an enterprise attuned to

change, we will stress global group management.

In July 2000, we will celebrate its 50th anniversary. We would like to thank all of our shareholders for their long-standing support. At this point in our corporate history, we are resolved to make a group-wide effort to achieve improved business results.

Management dealt with the Y2K issue in a concerted manner. Our business operations suffered no Y2K problems.

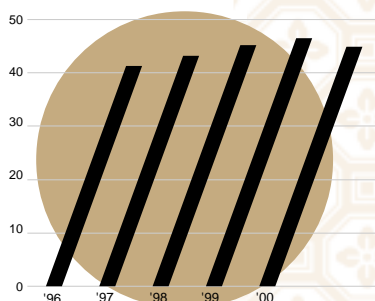
We would greatly appreciate the continuing confidence and support of our shareholders.



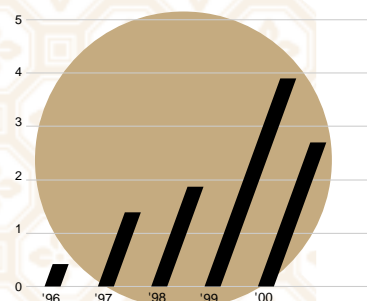
May 2000

*Shozo Kasuya, President*

Net sales (Billions of yen)



Net income (Billions of yen)



# Review of Operations

## *Precision Electronic Equipment*

Sales of electronic buzzers increased greatly. Supported by the rapidly expanding worldwide market for mobile communication equipment, orders surged for our highly regarded compact and thin surface-mounted electronic buzzers for cellular telephones. In order to respond to this great increase in demand, we expanded production facilities in Japan and China.

Despite stepped up marketing of the high-speed, high-performance TSP Series of thermal printers, sales of POS printers declined, largely due to the appreciation of the yen. We strove to expand sales channels for computer printers, such as OEM supply of business printers in the Chinese market. However, partly affected by the tightening of the economic policy of China, sales to distributors were sluggish and sales of computer printers declined.

Sales of the Precision Electronic Equipment Division were ¥26,408 million (an increase of 7.0% from the previous period).



**MQT-03E**  
Surface Mount Magnetic Sounder  
The surface mountable sounder provides optimized acoustic characteristics with global telecommunication market.



**TSP-200**  
Thermal Receipt Printer  
Extremely quiet and fast printing using the direct line thermal printing method.

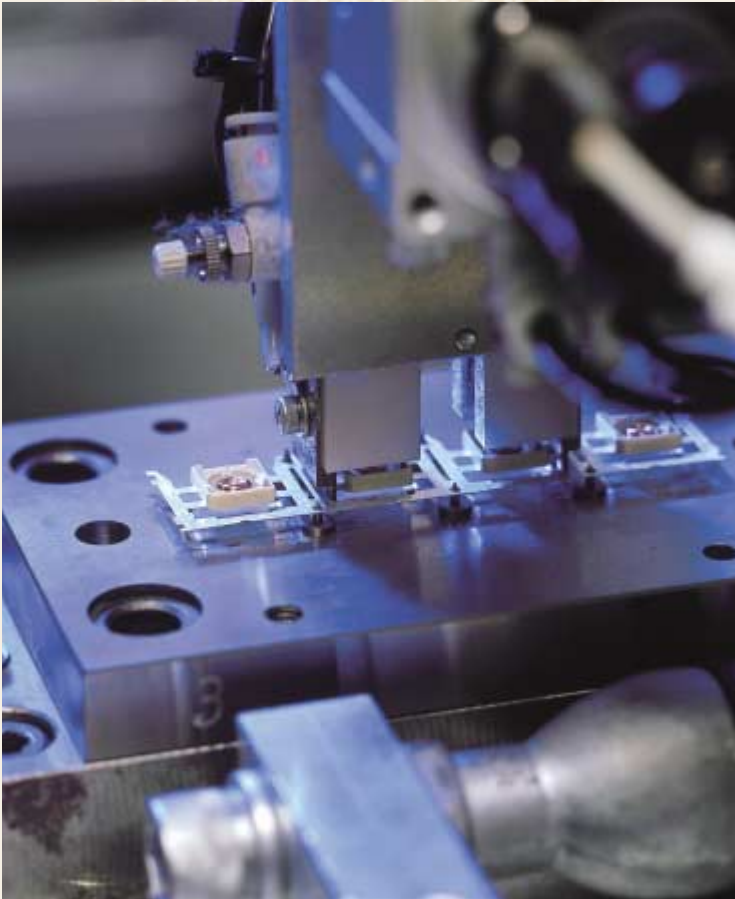


**LC-8521**  
Impact Dot Matrix Printers  
Sales strategies are also being developed for a multi-function printer with journal and pass-book.

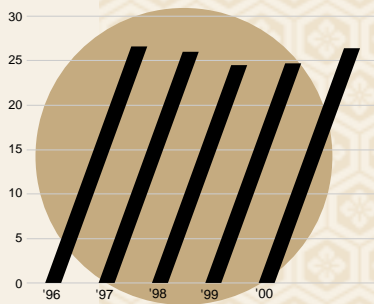


**MCP300**  
Card Reader/writer  
The reader/writer for visual IC card, the IC card with re-writable human readable area.

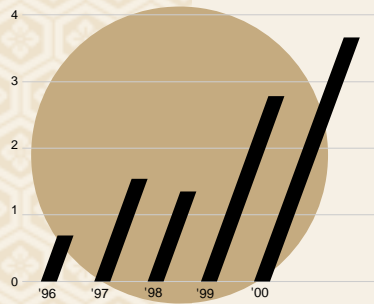
# 電子機器



Sales (Billions of yen)



Operating income (Billions of yen)



Before adjustments for and eliminations of unallocated corporate expenses.

## Machine Tools

The SR-20 and SV-32 series of automatic lathes which meet sophisticated and diversified machining needs were well received in the market due to their high speed and high operability, secondary machining ability and ability to cope with materials that are difficult to lathe. In the Japanese market, despite weak capital investment, wide ranging marketing lifted sales to manufacturers of computer peripherals and communication equipment. Overseas, sales increased in Asia, buoyed by the economic recovery, but sales declined in North America and Europe due to weak demand and the strong yen. European sales were hit by the rapid depreciation of the Euro.

Sales of the Machine Tools Division were ¥14,385 million (a decline of 14.5% from the previous period).

The Machine Tools Division gained the ISO 9001 certification of the International Standards Organization.



### SR-16/20R

Friendly to both people and the environment. Flexible overlapped machining and secondary machining possibilities are featured responding to user's various needs.



### SV-32

The 8-axis Swiss -type CNC automatic lathe offers heavy turning capability and great versatility equipped with two independent sophisticated tooling systems.



### SA-12

High speed and compact Swiss-type CNC automatic lathe offering up to 13mm capacity with 4-axis control, features ease of handling and versatility in application.



### SE-12/16

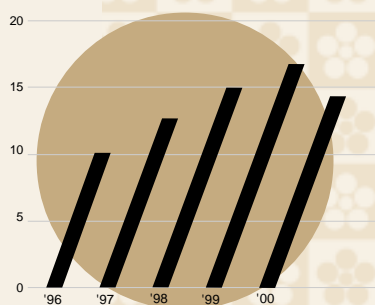
The potential barstock remnant length of 130mm and long-hour unmanned running capacity with a large volume chip tank offer cost -efficient production of small turned parts.



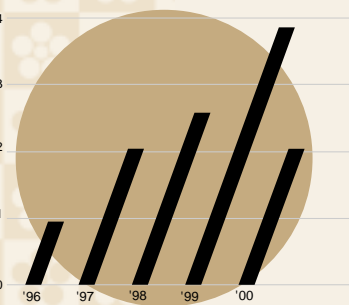
# 工 作 機 械



Sales (Billions of yen)



Operating income (Billions of yen)



Before adjustments for and eliminations of unallocated corporate expenses.

## *Precision Products*

The wristwatch components business, which is the mainstay of this division, operated in a challenging environment. Orders received plummeted as wristwatch manufacturers cut production due to weak demand for their products in Japan and fluctuation of the cost of watch movements. Also, with wristwatch manufacturers seeking big reductions in the cost of components, our prices came under pressure. Meanwhile, to reduce our dependence on watch components, we did our utmost to expand sales in other fields where precision processing technology can be applied, namely precision components for optical communication equipment, medical equipment and computer peripherals.

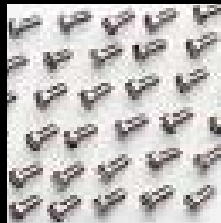
Sales of the Precision Products Division were ¥4,121 million (a decline of 17.0% from the previous period).

The Precision Products Division gained the ISO 9002 certification of the International Standards Organization.



**Winding Stems**

Winding stems that boast a 70% market share in Japan.



**Header screws**

Parts for wristwatch.



**Push buttons**

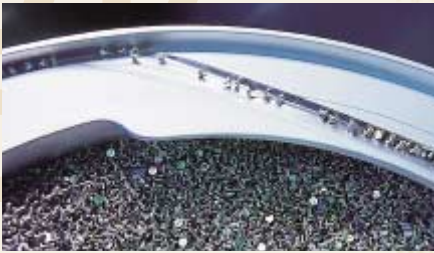
Parts for wristwatch.



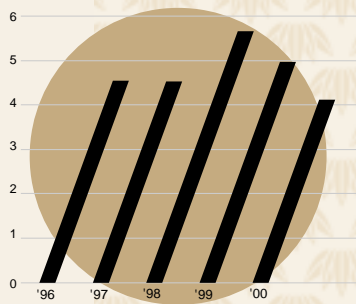
**Optical fiber connector parts**

Parts for optical communication equipment.

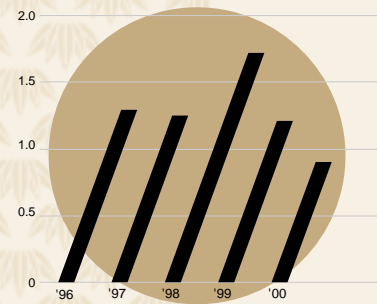
# 精 密 工 品



Sales (Billions of yen)



Operating income (Billions of yen)



Before adjustments for and eliminations of unallocated corporate expenses.

# Interview with the President

## *Our goal is to return to a growth track by using our resources to maximum effect*

Shozo Kasuya, president, discusses the recently announced mid-term business plan.

### ***What is the objective of the reorganization conducted last year?***

Our objective is to clarify the profitability of each division and each product by consolidating organizations. Also, we have sought to inject greater dynamism into our organizational structure by ensuring that each organization fully reflects the characteristics of its business field. We expect each operation to act like a fleet-footed medium-sized company, dealing proactively with change, and achieving fusion and synergy of expertise and resources with other divisions and subsidiaries.

intend to seize them so as to move forward with renewed vigor. Our goal is to return to a growth track by using our resources to maximum effect. For this purpose, we have established three policies: focused investment in highly profitable operations, strengthening of synergy among seed-oriented businesses, notably machine tools and precision products, and optimization of development, production and sales from a global perspective. We are focusing on our core operations and stressing investment in the development of differentiated products that can give us a stronger presence in the marketplace.

### ***Star Micronics recently announced its mid-term business plan. What is the goal?***

The current business environment is defined by three trends: globalization, the on-going IT revolution, and the increasing concentration on environmental considerations. Now that we have completed our restructuring, these trends are creating attractive opportunities. We

### ***Concretely, what are the divisional strategies?***

Firstly, in the electronic buzzer business, the Precision Electronic Equipment Division aims to achieve strong growth, especially in the field of compact audio components for mobile communications equipment, through well-focused investment in products and the associated technologies. In the printer business, we will be promoting overseas production in order to enhance cost competitiveness

while, concurrently, seeking to expand sales through diversification of sales channels. The Machine Tools Division will focus on development of products attuned to market needs and intends to establish a sales structure covering markets in Asia other than Japan. The Precision Products Division will concentrate on high-value added parts other than watch parts, such as those for optical communications, personal computers and medical equipment, and work to expand sales of these parts. Furthermore, that division is seeking to enhance the quality of precision processing through fusion of technology with the Machine Tools Division.

**Q In which field do you expect to achieve the highest growth?**

A We expect the highest growth to come from the electronic buzzer business of the Precision Electronic Equipment Division. The tremendous expansion of the market for mobile communication equipment is only just getting into its stride. We will continue investing in buzzers for cellular phones, a business in which we have the largest share of the global market. At the same time, we will emphasize compact precision processing-which is our core technology, and the associated assembly technology and audio technology, in order to enter the field of compact audio components, such as microphones, receivers and speakers for mobile applications. Also, we intend to deepen cooperation with information communications equipment set manufacturers so as to expand the scope of the buzzer business.

**Q In closing, what else would you like to express to the shareholders?**

A Star Micronics will celebrate its 50th anniversary this July. As we advance strongly into the new millennium, I would like to express our gratitude to all our shareholders for your support. You can rest assured that we are resolved to make a group-wide effort to achieve the goals of the mid-term business plan, and, in that endeavor, we will appreciate your continuing support. As for the dividends for the coming fiscal year, we intend to increase the amount by ¥1.50 and pay cash dividends of ¥8.50 per share for the entire year, which includes interim dividend of ¥3.50, commemorative dividend of ¥1.50, and year-end dividend of ¥3.50.



# Subsidiaries

Country	Company name	Capital stock (thousands)	Equity ownership percentage	Business
U.S.A.	Star Micronics America, Inc.*	US\$ 7	100.0%	Sales company
	Star CNC Machine Tool Corporation*	US\$ 0.001	100.0%	Sales company
U.K.	Star Micronics U.K. Ltd.*	£ 1,600	100.0%	Sales company
	A&S Precision Machine Tools Ltd.*	£ 130	100.0%	Sales company
Hong Kong	Star Micronics Asia Ltd.*	HK\$ 1,000	100.0%	Sales company
	Star Precisions Ltd.*	HK\$ 1,000	70.0%	Manufacturing company
China	Star Micronics Manufacturing Dalian Co., Ltd.*	US\$ 32,150	100.0%	Manufacturing company
Switzerland	Star Micronics AG*	S.Fr 5,000	100.0%	Sales company
Germany	Star Micronics Manufacturing Deutschland GmbH*	DM 7,700	100.0%**	Manufacturing company
	Star Micronics Management Services GmbH	DM 100	100.0%	Other
	LAGRO Werkzeugmaschinen-Handels GmbH & Co. KG*	DM 250	100.0%**	Sales company
Japan	Micro Asabata Company	¥ 20,000	100.0%	Manufacturing company
	Micro Kutsunoya Company*	¥ 20,000	100.0%	Manufacturing company
	Micro Takemi Company	¥ 10,000	100.0%	Manufacturing company
	Star System Development Company	¥ 20,000	100.0%	Other
	Shin Iwata Denshi Company	¥ 20,000	90.0%	Manufacturing company
	Micro Abeguchi Company*	¥ 10,000	100.0%	Manufacturing company
	Toshin Seiki Company*	¥ 10,000	100.0%	Manufacturing company
	Micro Sapporo Company*	¥ 250,000	100.0%	Manufacturing company
	Micro Fujimi Company*	¥ 15,000	100.0%	Other
	OS Metal Company	¥ 30,000	66.7%	Manufacturing company
	Shinsei Sogyo Company	¥ 10,000	100.0%	Other

\* Consolidated subsidiary

\*\* Including those of an indirect ownership



# Financial Section

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# Consolidated Financial Review

## **Net sales**

The global economy during the period remained strong. The U.S. economy continued to grow, the major European economies were quite robust, and the economies elsewhere in Asia were generally on the road to recovery. In contrast, the Japanese economy remained weak, held back by the persisting sluggishness of private-sector capital investment and personal consumption.

In these circumstances, with a new management system in place, Star Micronics Group strove to enhance the effectiveness of its marketing by utilizing management resources to the maximum extent. Specifically, we revised our product lines so as to give greater emphasis to profitability and streamlined the organization.

In the globally expanding IT field, sales of electronic buzzers rose greatly and contributed to sales of the Precision Electronic Equipment Division. Sales for the period were ¥26,408 million (an increase of 7.0% from the previous period). Sales of CNC automatic lathes increased in Japan and markets elsewhere in Asia, but declined in the American and European markets where substantial increases were achieved in previous periods, due to slowing demand and the strength of the yen. As a result, sales for the period were 14,385 million (a decrease 14.5% from the previous period). The Precision Products Division focused on securing orders for components for applications other than wristwatches, but this did not fully compensate for wristwatch manufacturers' reduced production and, as a result sales for the period were ¥4,121 million (a decrease 17.0% from the previous period).

In terms of geographed sales, the sales in Asia market (including Japan) were ¥30,077 million. Sales in the Europe and North America markets were ¥14,837 million. The ratio of sales to consolidated sales were 67% and 33%.

Taken as a whole, net sales for the period totalled ¥44,914 million (a decrease of 3.4% from the previous period).

## **Cost of Sales and Expenses**

The operating environment was severe

as the yen continued to appreciate. Although we made every effort to reduce expenses, cost of sales as a percentage of net sales increased 3.4 points to 64.2%, due to a rise in purchasing costs in overseas subsidiaries resulting from the strong yen. SGA expenses as a percentage of net sales decreased 0.9 points to 25.6% of net sales.

## **Net Income**

Operating income was ¥4,553 million (a decrease of 22.7% from the previous period), and net income was ¥2,702 million (a decrease of 30.7% from the previous period).

## **Financial Position**

Total assets increased 2.3% to ¥62,950 million at the end of the year. Total current assets increased 3.2% to ¥40,119 million, mainly due to increases in marketable securities. Net investments in property, plant and equipment decreased 4.3% to ¥14,633 million. Net investments and other assets increased 11.5% to ¥8,198 million.

Current liabilities decreased 8.8% to ¥17,349 million. Long-term liabilities increased 38.8% to ¥2,587 million as a result of an increase in long-term bank loans.

Shareholders' equity increased 5.8% to ¥42,932 million, and the equity ratio increased 2.2 points to 68.2%.

## **Cash Flows**

Net cash provided by operating activities was ¥8,168 million. This was primarily attributable to strong consolidated results in addition to depreciation and amortization expenses which are not direct cash out flows.

Net cash used in investing activities was ¥6,474 million, due principally to purchases of securities and purchases of property, plant, and equipment.

Net cash used in financing activities was, ¥759 million, mainly due to repayments of bank loans.

As a result of the above activities, cash and cash equivalents increased by ¥532 million during the year to a total of ¥7,727 million at year end.



# Consolidated Five-Year Summary

**Star Micronics Co., Ltd. and Consolidated Subsidiaries**  
**Five years ended the last day of February**

Millions of Yen (Except for per share data)

	2000	1999	1998	1997	1996
<b>For the year:</b>					
Net sales .....	¥44,914	¥46,480	¥45,220	¥43,194	¥41,335
Cost of sales .....	28,852	28,269	28,698	28,748	29,590
Selling, general and administrative expenses .....	11,509	12,323	12,768	11,702	11,191
Operating income .....	4,553	5,888	3,754	2,744	554
Other income (expenses) .....	(1,321)	(1,041)	(1,166)	186	685
Income before income taxes and minority interest .....	3,232	4,847	2,588	2,930	1,239
Income taxes .....	511	912	689	1,513	799
Minority interest .....	19	36	25	26	20
Net income .....	2,702	3,899	1,874	1,391	420
<b>Per share:</b>					
Net income .....	¥47.84	¥69.02	¥33.17	¥24.62	¥7.44
Fully diluted net income .....	47.81	69.00			
<b>At year-end:</b>					
Current assets .....	¥40,119	¥38,885	¥40,764	¥38,930	¥39,697
Property, plant and equipment .....	14,633	15,289	14,551	14,013	13,567
Total assets .....	62,950	61,525	60,646	59,851	61,079
Long-term liabilities .....	2,587	1,864	2,405	3,790	2,335
Shareholders' equity .....	42,932	40,584	37,024	34,959	34,836
<b>Stock exchange price per share of common stock:</b>					
					<b>Yen</b>
High .....	¥1,917	¥860	¥790	¥1,170	¥1,350
Low .....	505	413	315	652	508

# Consolidated Balance Sheets

**Star Micronics Co., Ltd. and Consolidated Subsidiaries**  
**February 29, 2000 and February 28, 1999**

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
<b>Assets</b>			
<b>Current assets:</b>			
Cash and time deposits .....	¥ 7,727	¥ 7,195	\$ 70,245
Marketable securities (Note 3) .....	3,707	807	33,700
Receivables (Note 5):			
Trade notes .....	1,654	1,953	15,036
Trade accounts .....	10,257	10,761	93,245
Non-consolidated subsidiaries and an associated company .....	2	1	18
Other .....	1,093	1,186	9,936
Allowance for doubtful receivables .....	(247)	(231)	(2,245)
Inventories (Notes 4 and 5) .....	14,299	16,650	129,991
Deferred income taxes .....	770	69	7,000
Prepaid expenses and other .....	857	494	7,793
Total current assets .....	40,119	38,885	364,719
<b>Property, plant and equipment (Note 5):</b>			
Land .....	2,306	2,377	20,964
Buildings and structures .....	9,355	9,595	85,045
Machinery and equipment .....	32,655	31,916	296,864
Construction in progress .....	53	34	482
Total .....	44,369	43,922	403,355
Accumulated depreciation .....	(29,736)	(28,633)	(270,328)
Net property, plant and equipment .....	14,633	15,289	133,027
<b>Investments and other assets:</b>			
Investment securities (Notes 3 and 5) .....	1,627	1,939	14,791
Investments in non-consolidated subsidiaries and an associated company .....	1,687	1,687	15,336
Other assets .....	4,884	3,725	44,400
Total investments and other assets .....	8,198	7,351	74,527
<b>Total .....</b>	<b>¥62,950</b>	<b>¥61,525</b>	<b>\$572,273</b>

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Short-term bank loans (Note 5) .....	¥ 1,695	¥ 1,992	\$ 15,409
Current portion of long-term debt (Note 5) .....	268	1,346	2,436
Payables:			
Trade notes .....	6,076	5,978	55,236
Trade accounts .....	2,624	2,199	23,855
Non-consolidated subsidiaries and an associated company .....	189	350	1,718
Other .....	1,520	1,987	13,818
Income taxes payable (Note 8) .....	699	384	6,355
Accrued expenses .....	1,328	1,501	12,073
Other .....	2,950	3,284	26,819
Total current liabilities .....	17,349	19,021	157,719
<b>Long-term liabilities:</b>			
Long-term debt (Note 5) .....	2,395	1,624	21,773
Liability for retirement benefits (Note 6) .....	169	168	1,536
Other .....	23	72	209
Total long-term liabilities .....	2,587	1,864	23,518
<b>Minority interest</b> .....	82	56	745
<b>Contingent liabilities (Notes 11 and 13)</b>			
<b>Shareholders' equity (Notes 7 and 15):</b>			
Common stock, ¥50 par value-authorized, 160,000,000 shares;			
issued 56,533,234 shares in 2000 and 56,494,244 shares in 1999 .....	12,722	12,685	115,655
Additional paid-in capital .....	13,877	13,840	126,155
Retained earnings .....	16,342	14,060	148,563
Total .....	42,941	40,585	390,373
Less treasury stock - at cost 5,509 shares in 2000 and 2,201 shares in 1999 .....	(9)	(1)	(82)
Total shareholders' equity .....	42,932	40,584	390,291
<b>Total</b> .....	¥62,950	¥61,525	\$572,273

See notes to consolidated financial statements.

# Consolidated Statements of Income

*Star Micronics Co., Ltd. and Consolidated Subsidiaries*  
*Years ended February 29, 2000 and February 28, 1999*

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
<b>Net sales</b> .....	¥44,914	¥46,480	\$408,309
<b>Cost of sales</b> (Note 9) .....	28,852	28,269	262,291
Gross profit .....	16,062	18,211	146,018
<b>Selling, general and administrative expenses</b> .....	11,509	12,323	104,627
Operating income .....	4,553	5,888	41,391
<b>Other income (expenses):</b>			
Interest and dividend income .....	143	141	1,300
Interest expense (Note 5) .....	(178)	(278)	(1,618)
Exchange loss-net .....	(946)	(580)	(8,600)
Gain on sales of property, plant and equipment .....	5	56	45
Loss on disposals of property, plant and equipment .....	(168)	(39)	(1,527)
Other-net (Note 12) .....	(177)	(341)	(1,609)
Other expenses-net .....	(1,321)	(1,041)	(12,009)
<b>Income before income taxes and minority interest</b> .....	3,232	4,847	29,382
<b>Income taxes</b> (Note 8) .....	511	912	4,646
<b>Income before minority interest</b> .....	2,721	3,935	24,736
<b>Minority interest</b> .....	19	36	172
<b>Net income</b> .....	¥ 2,702	¥ 3,899	\$ 24,564

	Yen		U.S. dollars
	2000	1999	2000
<b>Per share of common stock</b> (Notes 2.m and 7):			
Net income .....	¥47.84	¥69.02	\$0.43
Fully diluted net income .....	47.81	69.00	0.43
Cash dividends applicable to the year .....	7.00	7.00	0.06

See notes to consolidated financial statements.

# Consolidated Statements of Shareholders' Equity

*Star Micronics Co., Ltd. and Consolidated Subsidiaries*  
*Years ended February 29, 2000 and February 28, 1999*

	Thousands			Millions of Yen	
	Outstanding number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock-at cost
<b>Balance, March 1, 1998</b> .....	56,494	¥12,685	¥13,840	¥10,500	¥(1)
Net income .....				3,899	
Cash dividends, ¥6.0 per share .....				(339)	
Treasury stock acquired-net (724 shares) .....					
<b>Balance, February 28, 1999</b> .....	56,494	12,685	13,840	14,060	(1)
Net income .....				2,702	
Cash dividends, ¥7.0 per share .....				(395)	
Directors' and corporate auditors' bonuses .....				(25)	
Conversion of convertible bonds .....	39	37	37		
Treasury stock acquired-net (3,308 shares) .....					(8)
<b>Balance, February 29, 2000</b> .....	56,533	¥12,722	¥13,877	¥16,342	¥(9)

	Thousands of U.S. dollars (Note 1)			
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock-at cost
<b>Balance, February 28, 1999</b> .....	\$115,318	\$125,818	\$127,817	\$(9)
Net income .....			24,564	
Cash dividends, \$0.064 per share .....			(3,591)	
Directors' and corporate auditors' bonuses .....			(227)	
Conversion of convertible bonds .....	337	337		
Treasury stock acquired-net (3,308 shares) .....				(73)
<b>Balance, February 29, 2000</b> .....	\$115,655	\$126,155	\$148,563	\$(82)

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

**Star Micronics Co., Ltd. and Consolidated Subsidiaries**  
**Years ended February 29, 2000 and February 28, 1999**

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2000	1999	2000
<b>Operating activities:</b>			
Net income .....	¥2,702	¥3,899	\$24,564
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization .....	2,971	3,065	27,009
Provision for doubtful receivables .....	59	103	536
Loss on devaluation of inventories .....	399	544	3,627
Loss on devaluation of marketable and investment securities .....	327	524	2,973
Gain on sales of marketable and investment securities .....	(300)	(133)	(2,727)
Loss (gain) on sales and disposals of property, plant and equipment .....	163	(17)	1,482
Provision for retirement benefits .....	51	34	464
Amortization of excess cost of investments in consolidated subsidiaries .....	64	42	582
Exchange loss (gain) .....	36	(33)	327
Other-net .....	(52)	52	(473)
Changes in assets and liabilities:			
Decrease (increase) in receivables .....	(173)	232	(1,573)
Decrease (increase) in inventories .....	853	(629)	7,755
Increase in deferred income taxes .....	(702)	(4)	(6,382)
Increase in prepaid expenses and other assets .....	(19)	(93)	(173)
Increase (decrease) in payables and accrued expenses .....	1,788	(1,149)	16,255
Increase in income taxes payable .....	364	12	3,309
Decrease in other liabilities .....	(363)	(882)	(3,300)
Total adjustments .....	5,466	1,668	49,691
Net cash provided by operating activities .....	8,168	5,567	74,255
<b>Investing activities:</b>			
Proceeds from sales of property, plant and equipment .....	123	169	1,118
Purchases of property, plant and equipment .....	(3,487)	(3,577)	(31,700)
Proceeds from sales of securities .....	1,586	2,004	14,418
Purchase of securities .....	(4,208)	(2,055)	(38,255)
Other-net .....	(488)	(282)	(4,436)
Net cash used in investing activities .....	(6,474)	(3,741)	(58,855)
<b>Financing activities:</b>			
Decrease in short-term bank loans-net .....	(1)	(286)	(9)
Proceeds from long-term debt .....	1,027	1,050	9,336
Repayments of long-term debt .....	(1,288)	(1,380)	(11,708)
Dividends paid to shareholders .....	(395)	(339)	(3,591)
Dividends paid to minority shareholders of consolidated subsidiaries .....	(8)	(49)	(73)
Other-net .....	(94)		(855)
Net cash used in financing activities .....	(759)	(1,004)	(6,900)
Effect of exchange rate changes on cash .....	(403)	(271)	(3,664)
<b>Net increase in cash and cash equivalents .....</b>	<b>532</b>	<b>551</b>	<b>4,836</b>
<b>Cash and cash equivalents, beginning of year .....</b>	<b>7,195</b>	<b>6,644</b>	<b>65,409</b>
<b>Cash and cash equivalents, end of year .....</b>	<b>¥7,727</b>	<b>¥7,195</b>	<b>\$70,245</b>
<b>Additional cash flow information:</b>			
Interest paid .....	¥ 170	¥ 304	\$ 1,545
Income taxes paid .....	700	981	6,364

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## **Star Micronics Co., Ltd. and Consolidated Subsidiaries** **Years ended February 29, 2000 and February 28, 1999**

### **1 Basis of Presenting Consolidated Financial Statements**

The accompanying consolidated financial statements have been prepared from the accounts maintained by Star Micronics Co., Ltd. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The consolidated statements of cash flows are not required as a part of the basic consolidated financial statements in Japan but are presented herein as additional information.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside of Japan.

Certain reclassifications have been made in 1999 consolidated financial statements to conform to the classifications used in 2000.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan and have been made at the rate of ¥110 to \$1, the approximate rate of exchange at February 29, 2000. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### **2 Summary of Significant Accounting Policies**

#### **a Consolidation and Investments in Non-consolidated Subsidiaries and Associated Company**

The accompanying consolidated financial statements include the accounts of the Company and its fifteen significant subsidiaries.

The fiscal periods of consolidated subsidiaries in Japan end on the last day of February, and those of consolidated subsidiaries outside of Japan end on December 31.

Consolidation of the remaining subsidiaries would not have a material effect on the accompanying consolidated financial statements.

The excess of the cost of the Company's investments in consolidated subsidiaries over its equity in the net assets at the respective dates of acquisition, is being amortized over a period of five years.

All significant intercompany accounts and transactions have been eliminated in consolidation. All material unrealized profits resulting from intercompany transactions is eliminated.

Investments in non-consolidated subsidiaries and a 20% to 50% owned associated company are accounted for on the cost basis. The effect on the consolidated financial statements of not applying the equity method is not material.

#### **b Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Company considers all time deposits to be cash equivalents. Time deposits have original maturities of one year or less and can be withdrawn on demand with no diminution of principal.

#### **c Inventories**

Inventories are substantially stated at cost determined by the average method, except for inventories held by eight consolidated subsidiaries, which accounted for approximately 36% of the consolidated inventories at February 29, 2000 and are generally stated at the lower of cost (first-in, first-out) or market.

#### **d Marketable and Investment Securities**

Listed securities included in marketable and investment securities are stated at the lower of cost or market, as applied to each security. Other securities are stated at cost. Cost is determined by the moving-average method.

**e Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed by the declining-balance method for the Company and its consolidated subsidiaries in Japan and by the straight-line method for substantially all of the consolidated subsidiaries outside of Japan.

Depreciation is based on the estimated useful lives, ranging from 2 to 50 years for buildings and structures and from 2 to 20 years for machinery and equipment.

**f Retirement and Pension Plans**

The Company has a non-contributory funded pension plan covering substantially all of its employees. Benefits under this pension plan are based on the current rate of basic pay and length of service. The amounts contributed to the fund, including prior service costs which are amortized over 3 years, are charged to income when paid.

The liability for retirement benefits to the Company's directors and corporate auditors is stated at the amount which would be required if they all retired at each balance sheet date.

**g Leases**

All leases are accounted for as operating leases. Under new Japanese accounting standards for leases, finance leases that do not transfer ownership of the leased property to the lessee are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements. These new standards are being applied on a step-by-step basis beginning with fiscal years starting on or after April 1, 1996, with full implementation expected for fiscal years starting on or after April 1, 1998.

**h Research and Development Costs**

Research and development costs are charged to income as incurred.

**i Income Taxes**

Income taxes are provided for in amounts currently payable for each year. The tax effect of temporary differences between tax and financial reporting purposes is not recorded, except for deferred income taxes arising from adjustments required for preparing consolidated financial statements such as elimination of unrealized profit (see a. above).

**j Appropriations of Retained Earnings**

Appropriations of retained earnings at each year end are reflected in the consolidated financial statements in the period in which shareholder's approval has been obtained.

**k Foreign Currency Transactions**

Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at each balance sheet date except for certain receivables translated using the contract rates set forth in the applicable forward exchange contracts.

Exchange gains and losses are recognized in the fiscal periods in which they occur.

Long-term receivables and payables and investment securities denominated in foreign currencies are translated into Japanese yen at historical exchange rates.

**l Foreign Currency Financial Statements**

The balance sheet accounts of the consolidated subsidiaries outside of Japan are translated into Japanese yen at the current exchange rates at each balance sheet date except for shareholders' equity, which is translated at the historical exchange rates. Differences arising from such translation are included in other assets in the accompanying consolidated balance sheets. Revenue and expense accounts of the consolidated subsidiaries outside of Japan are translated into Japanese yen at the average rates.

**m Per Share Information**

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 56,492,021 shares for 2000 and 56,492,660 shares for 1999.

Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.



### 3 Marketable and Investment Securities

Marketable and investment securities at February 29, 2000 and February 28, 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2000	1999	2000
<b>Current:</b>			
Marketable equity securities .....	¥ 527	¥ 282	\$ 4,791
Corporate bonds .....	158	31	1,436
Trust fund investments and other .....	3,022	494	27,473
Total .....	¥3,707	¥ 807	\$33,700
<b>Non-Current:</b>			
Equity securities .....	¥1,627	¥1,939	\$14,791
Total .....	¥1,627	¥1,939	\$14,791

Carrying amounts and aggregate market values of current and non-current marketable securities included in marketable securities and investment securities at February 29, 2000 and February 28, 1999 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2000	1999	2000
<b>Current:</b>			
Carrying amount .....	¥2,114	¥ 586	\$19,218
Aggregate market value .....	2,496	550	22,691
Unrealized gain (loss) .....	¥ 382	¥ (36)	\$ 3,473
<b>Non-Current:</b>			
Carrying amount .....	¥1,533	¥1,845	\$13,936
Aggregate market value .....	1,678	1,928	15,255
Unrealized gain .....	¥ 145	¥ 83	\$ 1,319

The difference between the above carrying amounts and the amounts shown in the accompanying balance sheets principally consists of commercial paper and non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

### 4 Inventories

Inventories at February 29, 2000 and February 28, 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2000	1999	2000
Merchandise .....	¥ 354	¥ 443	\$ 3,218
Finished products .....	8,353	9,732	75,936
Work in process .....	3,083	3,609	28,027
Raw materials and supplies .....	2,509	2,866	22,810
Total .....	¥14,299	¥16,650	\$129,991

### 5 Short-term Bank Loans and Long-term Debt

Short-term bank loans at February 29, 2000 and February 28, 1999 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.8125% to 8.5% and 3.25% to 7.5% at February 29, 2000 and February 28, 1999, respectively.

Long-term debt at February 29, 2000 and February 28, 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2000	1999	2000
Unsecured 3.5% U.S. dollar convertible bonds due 2000 .....		¥ 36	
Loans from banks due serially to 2004 with interest rate ranging from 1.14% to 7.0% (2000) and from 1.545% to 7.5% (1999):			
Collateralized .....	¥2,663	2,923	\$24,209
Unsecured .....		11	
Total .....	2,663	2,970	24,209
Less current portion .....	(268)	(1,346)	(2,436)
Long-term debt, less current portion .....	¥2,395	¥1,624	\$21,773

Annual maturities of long-term debt at February 29, 2000 were as follows:

Year ending the last day of February	Millions of Yen	Thousands of U.S. dollars
	2001 .....	¥ 268
2002 .....	229	2,082
2003 .....	2,116	19,236
2004 .....	50	455
Total .....	¥2,663	\$24,209

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at February 29, 2000 were as follows:

	Millions of Yen	Thousands of U.S. dollars
	Receivables .....	¥ 538
Inventories .....	298	2,709
Property, plant and equipment-net of accumulated depreciation .....	5,314	48,309
Investment securities .....	148	1,345
Total .....	¥6,298	\$57,254

## 6 Retirement and Pension Plans

The net assets of the fund amounted to ¥4,361 million (\$39,645 thousand) at February 29, 2000.

Amounts contributed to the retirement and pension plans and charged to income were ¥385 million (\$3,500 thousand) and ¥360 million for the years ended February 29, 2000 and February 28, 1999, respectively.

## 7 Shareholders' Equity

The Commercial Code of Japan (the "Code") requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital.

The Code also requires companies to appropriate from retained earnings to a legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. The Company's reserve amount, which is included in retained earnings, totals ¥676 million (\$6,145 thousand) and ¥631 million at February 29, 2000 and February 28, 1999, respectively, and is not available for dividends but may be used to reduce a deficit by resolution of the shareholders.

The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new common shares to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors.

The Company may make such a stock split to the extent the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥50.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At February 29, 2000, retained earnings recorded on the Company's books were ¥13,565 million (\$123,318 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

## 8 Income Taxes

The Company and its consolidated subsidiaries in Japan are subject to Japanese national and local taxes based on income which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 47% for 2000 and 51% for 1999. Consolidated subsidiaries outside of Japan are subject to income taxes of the countries in which they operate. The actual effective tax rates in the accompanying consolidated statements of income differed from the normal effective statutory rates due principally to (1) non-recognition of the tax effects of temporary differences between tax and financial reporting, (2) certain expenses that are permanently non-deductible for tax purposes and (3) lower income tax rates applicable to income of certain subsidiaries outside of Japan.

## 9 Related Party Transactions

Transactions with non-consolidated subsidiaries and an associated company for the years ended February 29, 2000 and February 28, 1999 were as follows:

	Millions of Yen		Thousands of
	2000	1999	U.S. dollars
Purchases .....	¥1,185	¥1,149	\$10,773

### 10 Research and Development Costs

Research and development costs charged to income were ¥560 million (\$5,091 thousand) and ¥624 million for the years ended February 29, 2000 and February 28, 1999, respectively.

### 11 Leases

The Company and its consolidated subsidiaries lease certain machinery, computer equipment, office space and other assets.

Lease payments under finance leases were ¥102 million (\$927 thousand) and ¥133 million for the years ended February 29, 2000 and February 28, 1999, respectively.

Pro forma information of lease property of which ownership is deemed not to be transferred to the lessee on an "as if capitalized" basis at February 29, 2000 was as follows:

	Thousands of Millions of Yen U.S. dollars	
	2000	2000
<b>Machinery, equipment and other assets</b>		
Acquisition cost .....	¥706	\$6,418
Accumulated depreciation .....	348	3,163
Net leased property .....	¥358	\$3,255

Pro forma depreciation expense computed by the straight-line method is ¥102 million (\$927 thousand) and ¥133 million for the years ended February 29, 2000 and February 28, 1999, respectively.

Obligations under finance leases at February 29, 2000 and February 28, 1999 were as follows:

	Thousands of Millions of Yen U.S. dollars		
	2000	1999	2000
Due within one year .....	¥121	¥ 78	\$1,100
Due after one year .....	237	109	2,155
Total .....	¥358	¥187	\$3,255

Pro forma information above does not exclude the imputed interest portion because the remaining financial lease obligations are not material compared with the book values of property, plant and equipment.

Obligations under noncancelable operating leases at February 29, 2000 and February 28, 1999 were as follows:

	Millions of Yen		Thousands of U.S. dollars
	2000	1999	2000
Due within one year .....	¥135	¥113	\$1,227
Due after one year .....	608	78	5,528
Total .....	¥743	¥191	\$6,755

### 12 Other Income (Expenses) - Other - net

Other income (expenses) - Other - net consisted of the following:

	Millions of Yen		Thousands of U.S. dollars
	2000	1999	2000
Loss on devaluation of marketable and investment securities .....	¥(327)	¥(524)	\$(2,973)
Gain on sales of marketable and investment securities .....	300	192	2,727
Loss on sales of investment securities .....		(59)	
Loss on disposal of assets from a discontinued business ...	(158)		(1,436)
Other .....	8	50	73
Other-net .....	¥(177)	¥(341)	\$(1,609)

### 13 Contingent Liabilities

As of February 29, 2000 the Company and its consolidated subsidiaries had the following contingent liabilities:

	Thousands of Millions of Yen U.S. dollars		
	2000	1999	2000
Guarantees of bank loans .....		¥92	\$836

## 14 Segment Information

Information regarding operations in different industry segments, foreign operations and sales to foreign customers of the Company and consolidated subsidiaries for the years ended February 29, 2000 and February 28, 1999 were as follows:

### (1) Operations in Different Industries

	Millions of Yen				
	2000				
	Precision Electronic Equipment	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers .....	¥26,408	¥14,385	¥4,121		¥44,914
Intersegment sales .....					
Total sales .....	26,408	14,385	4,121		44,914
Operating expenses .....	22,744	12,346	3,219	¥ 2,052	40,361
Operating income .....	¥ 3,664	¥ 2,039	¥ 902	¥(2,052)	¥ 4,553
Assets .....	¥28,873	¥11,990	¥5,726	¥16,361	¥62,950
Depreciation expense .....	1,888	282	555	98	2,823
Capital expenditures .....	2,462	255	314	16	3,047

	Millions of Yen				
	1999				
	Precision Electronic Equipment	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers .....	¥24,679	¥16,833	¥4,968		¥46,480
Intersegment sales .....					
Total sales .....	24,679	16,833	4,968		46,480
Operating expenses .....	21,901	12,973	3,759	¥ 1,959	40,592
Operating income .....	¥ 2,778	¥ 3,860	¥1,209	¥(1,959)	¥ 5,888
Assets .....	¥29,521	¥13,836	¥5,990	¥12,178	¥61,525
Depreciation expense .....	2,042	310	476	120	2,948
Capital expenditures .....	1,952	396	1,978	56	4,382

	Thousands of U.S. dollars				
	2000				
	Precision Electronic Equipment	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers .....	\$240,073	\$130,773	\$37,463		\$408,309
Intersegment sales .....					
Total sales .....	240,073	130,773	37,463		408,309
Operating expenses .....	206,764	112,237	29,263	\$ 18,654	366,918
Operating income .....	\$ 33,309	\$ 18,536	\$ 8,200	\$(18,654)	\$ 41,391
Assets .....	\$262,482	\$109,000	\$52,055	\$148,736	\$572,273
Depreciation expense .....	17,164	2,564	5,045	891	25,664
Capital expenditures .....	22,382	2,318	2,855	145	27,700

\* The segments consist of the following products:  
Precision Electronic Equipment: Electronic printers, Electronic buzzers etc.  
Machine Tools : CNC automatic lathes etc.  
Precision Products : Precision wristwatch parts etc.

\* Operating expenses in the eliminations or corporate column include general corporate expenses incurred by the Administration Headquarters of the Company. The amounts were ¥2,052 million (\$18,654 thousand) and ¥1,959 million for the years ended February 29, 2000 and February 28, 1999, respectively.

\* Assets in the eliminations or corporate column include assets maintained by the Administration Headquarters of the Company, and consist principally of excess funds under management (cash and marketable securities) and long-term investments (investment securities). The amount were ¥16,361 million (\$148,736 thousand) and ¥12,178 million at February 29, 2000 and February 28, 1999, respectively.

## (2) Foreign Operations

	Millions of Yen					
	2000					
	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Outside customers .....	¥24,626	¥6,700	¥8,137	¥5,451		¥44,914
Inter-area transfers .....	17,123	229	7	9,684	¥(27,043)	
Total .....	41,749	6,929	8,144	15,135	(27,043)	44,914
Operating expenses .....	37,066	6,413	7,557	14,714	(25,389)	40,361
Operating income .....	¥ 4,683	¥ 516	¥ 587	¥ 421	¥ (1,654)	¥ 4,553
Assets .....	¥44,619	¥4,855	¥4,214	¥9,533	¥ (271)	¥62,950

	Millions of Yen					
	1999					
	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Outside customers .....	¥20,616	¥9,348	¥10,716	¥ 5,800		¥46,480
Inter-area transfers .....	21,292	156	15	9,056	¥(30,519)	
Total .....	41,908	9,504	10,731	14,856	(30,519)	46,480
Operating expenses .....	37,271	8,306	9,337	14,601	(28,923)	40,592
Operating income .....	¥ 4,637	¥1,198	¥ 1,394	¥ 255	¥ (1,596)	¥ 5,888
Assets .....	¥45,784	¥6,319	¥ 4,728	¥10,833	¥ (6,139)	¥61,525

	Thousands of U.S. dollars					
	2000					
	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Outside customers .....	\$223,873	\$60,909	\$73,973	\$49,554		\$408,309
Inter-area transfers .....	155,663	2,082	63	88,036	\$(245,844)	
Total .....	379,536	62,991	74,036	137,590	(245,844)	408,309
Operating expenses .....	336,963	58,300	68,700	133,763	(230,808)	366,918
Operating income .....	\$ 42,573	\$ 4,691	\$ 5,336	\$ 3,827	\$ (15,036)	\$ 41,391
Assets .....	\$405,627	\$44,136	\$38,309	\$86,664	\$ (2,463)	\$572,273

\* The segments consist of the following countries:

Europe : United Kingdom, Germany and Switzerland  
 North America : United States of America  
 Asia : China

\* Operating expenses in the eliminations or corporate column include general corporate expenses incurred by the Administration Headquarters of the Company. The amounts were ¥2,052 million (\$18,654 thousand) and ¥1,959 million for the years ended February 29, 2000 and February 28, 1999, respectively.

\* Assets in the eliminations or corporate column include assets maintained by the Administration Headquarters of the Company, and consist principally of excess funds under management (cash and marketable securities) and long-term investments (investment securities). The amount were ¥16,361 million (\$148,736 thousand) and ¥12,178 million at February 29, 2000 and February 28, 1999, respectively.

## (3) Sales to Foreign Customers

	Millions of Yen		Thousands of U.S. dollars
	2000	1999	2000
Europe .....	¥12,577	¥12,121	\$114,336
North America .....	10,867	13,098	98,791
Asia .....	9,651	9,698	87,737
Total .....	¥33,095	¥34,917	\$300,864

\* The segments consist of the following countries:

Europe : United Kingdom, Germany, Switzerland, Finland, etc.  
 North America : United States of America, Mexico, etc.  
 Asia : China, Republic of Korea, Taiwan, Singapore, Australia, etc.

## 15 Subsequent Event

The following appropriations of retained earnings at February 29, 2000 were approved at the Company's shareholders meeting held on May 25, 2000:

	Millions of Yen	Thousands of U.S. dollars
Year-end cash dividends, ¥3.5 (\$0.032) per share .....	¥198	\$1,800
Directors' and corporate auditors' bonuses .....	25	227

# Independent Auditors' Report

**Deloitte  
Touche  
Tohmatsu**

*To the Board of Directors and Shareholders of  
Star Micronics Co., Ltd.:*

We have examined the consolidated balance sheets of Star Micronics Co., Ltd. and consolidated subsidiaries as of February 29, 2000 and February 28, 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Star Micronics Co., Ltd. and consolidated subsidiaries as of February 29, 2000 and February 28, 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu*  
May 25, 2000  
Tokyo, Japan

# 概要

## Directors and Auditors

President and C.E.O.	Shozo Kasuya
Senior Managing Director	Toshimune Kozuka
Managing Director	Toshihiro Suzuki
Directors	Hajime Sato Tadakuni Kaneko Hideo Fujiwara Noriaki Okamoto Masahiro Kato Tomohiko Okitsu Kanji Suzuki Chiaki Fushimi
Corporate Auditors	Tatsuyuki Matsuo Isao Imabayashi Hiroshi Ishii Katsuoki Numata (as of May 25, 2000)

## Corporate Data

Name	Star Micronics Co., Ltd.
Head Office	20-10, Nakayoshida, Shizuoka 422-8654 Japan Tel.+81-54-263-1111 Fax.81-54-263-1057
Founded	February 1947
Established	July 6, 1950
President	Shozo Kasuya
Paid-in Capital	¥12,721,939,515
Stock Exchange Listings	First sections of the Tokyo and Nagoya Stock Exchanges and the Frankfurt Stock Exchange.
Number of employees	955 (as of February 29, 2000)

## Group Network

### Overseas Subsidiaries

Star Micronics America, Inc.	1150 King Georges Post Road Edison, NJ08837, USA	Tel.+1-732-623-5500
Star Micronics Asia Ltd.	18/F., Tower 2 Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Tel.+852-2796-2727
Star Micronics U.K. Ltd.	Star House, Peregrine Business Park, Gomm Road, High Wycombe, Bucks, HP13 7DL, UK	Tel.+44-1494-47-1111
Star Precisions Ltd.	18/F., Tower 2 Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	Tel.+852-2799-9141
Star Micronics Manufacturing Dalian Co., Ltd.	2, Huang Hai Street, Dalian Economic and Technical Development Zone, PRC	Tel.+86-411-7611-535
Star Micronics AG	Febrikweg 2, 8306 Bruettisellen, Zurich, Switzerland	Tel.+41-1833-4142
A&S Precision Machine Tools Ltd.	Chapel Street, Melbourne, Derbyshire DE73 1EH, UK	Tel.+44-1332-864455
Star Micronics Manufacturing Deutschland GmbH	Otto-Lilienthal Strasse 2, D-55232 Alzey, Germany	Tel.+49-6731-8401
Star Micronics Management Services GmbH	Westerbachstrasse 59, D-60489 Frankfurt, Germany	Tel.+49-6978-9990
Star CNC Machine Tool Corporation	123 Powerhouse Road, Roslyn Heights, NY11577, USA	Tel.+1-516-484-0500
LAGRO Werkzeugmaschinen-Handels GmbH & Co.KG	Untere Reute 44, 75305 Neuenburg, Germany	Tel.+49-7082-7920-0

### Japanese Subsidiaries

Micro Asabata Company	1883-4, Kita, Shizuoka 420-0961	Tel.+81-54-247-5396
Micro Kutsunoya Company	62-1, Kutsunoya 5-chome, Shizuoka 420-0816	Tel.+81-54-261-9396
Micro Takemi Company	13-32, Takemi, Shizuoka 420-0934	Tel.+81-54-247-6533
Star System Development Company	17-25, Nakayoshida, Shizuoka 422-8001	Tel.+81-54-263-6141
Shin Iwata Denshi Company	102, Yanagi-cho, Shizuoka 420-0007	Tel.+81-54-273-2601
Micro Abeguchi Company	63-1, Endo Shinden, Shizuoka 421-2112	Tel.+81-54-296-2396
Toshin Seiki Company	1500-17, Kitanoya, Misawa, Kikugawa, Ogasa, Shizuoka 439-0023	Tel.+81-537-35-6415
Micro Sapporo Company	705-2, Shinkouminami 3-chome, Ishikari, Hokkaido 061-3244	Tel.+81-133-64-3663
Micro Fujimi Company	29-33, Senagawa 2-chome, Shizuoka 420-0913	Tel.+81-54-263-1523
OS Metal Company	1500-133, Misawa, Kikugawa, Ogasa, Shizuoka 439-0023	Tel.+81-537-35-0026
Shinsei Sogyo Company	536, Nanatsushinya, Shimizu, Shizuoka 424-0066	Tel.+81-543-47-2143



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