GOING FROM

STAR MICRONICS CO., LTD.

ANNUAL REPORT 2001

STRENGTH TO

STRENGTH

STAR MICRONICS CO., LTD.

PROFILE

FOUNDED IN 1950 AND BASED IN SHIZUOKA PREFECTURE, STAR MICRONICS CO., LTD. HAS CONSISTENTLY BASED ITS GROWTH ON ITS EXPERTISE IN PRECISION PROCESSING AND ASSEMBLY. THE COMPANY'S FIRST BUSINESS WAS COMPONENTS FOR WRISTWATCHES. THIS UNDERPINNED SUCCESSFUL ENTRIES INTO MARKETS FOR MACHINE TOOLS, PRINTERS AND ELECTRONIC BUZZERS. TODAY'S STAR MICRONICS HAS FOUR CORE ELEMENTS: COMPONENTS, MAINLY MICRO AUDIO COMPONENTS; SPECIAL PRODUCTS, MAINLY PRINTERS; MACHINE TOOLS, MAINLY CNC AUTOMATIC LATHES; AND PRECISION PRODUCTS, MAINLY WRISTWATCH PARTS AND OPTICAL CONNECTORS.

A GLOBAL ORGANIZATION, STAR MICRONICS HAS MANUFACTURING AND SALES BASES IN EUROPE, NORTH AMERICA, ASIA AND OTHER PARTS OF THE WORLD. AS OF APRIL 2001, THERE WERE 10 JAPANESE AND 15 OVERSEAS SUBSIDIARIES. TOTAL EMPLOYMENT IS ABOUT 5,000, INCLUDING NON-CONSOLIDATED COMPANIES.

STAR MICRONICS ADHERES TO A BASIC PHILOSOPHY KNOWN AS HUPAS, WHICH STANDS FOR HUMANITY, USER FIRST, PROFITABLE, AGGRESSIVE AND SOCIETY. SUCCESSFUL MANAGEMENT WILL BECOME INCREASINGLY CHALLENGING AS THE IT REVOLUTION LEADS TO STILL MORE INTENSE COMPETITION WORLD-WIDE. BY FOLLOWING ITS HUPAS GUIDELINES, STAR MICRONICS IS DETERMINED TO DRAW ON ITS PRECISION PROCESSING AND ASSEMBLY CAPABILITIES TO INCREASE ITS VALUE WHILE CONTRIBUTING TO SOCIETY.

CONTENTS

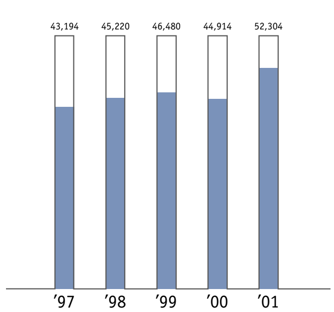
Forward-Looking Statements

Statements in this annual report with respect to Star Micronics' plans, strategies and beliefs as well as all other statements that are not historical facts are forward-looking statements involving risks and uncertainties. These forward-looking statements rely on a number of assumptions concerning future events. The important factors that could cause actual results to differ materially from such statements include, but are not limited to, general worldwide economic conditions, competitive pressure on sales and pricing, and movements of currency exchange rates.

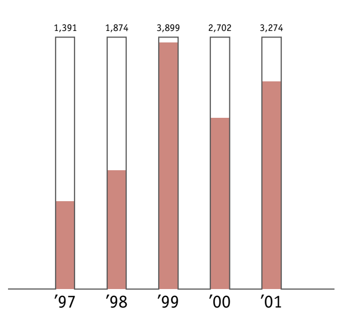
FINANCIAL HIGHLIGHTS

Star Micronics Co., Ltd. and Consolidated Subsidiaries February 28, 2001 and February 29, 2000	(Millions of yen) 2001	 2000	Change (%) 2001/2000	(Thousands of U.S. dollars) 2001
For the year:				
Net sales	¥52,304	¥44,914	16.5%	$450,897
Net income	3,274	2,702	21.2	28,224
Return on sales	6.3%	6.0%		
Capital expenditures	6,381	3,047	109.4	55,009
Depreciation and amortization	3,195	2,823	13.2	27,543
At year-end:				
Total assets	¥72,211	¥62,950	14.7%	$622,509
Shareholders' equity	46,799	42,932	9.0	403,440
Equity ratio	64.8%	68.2%		
Interest-bearing debt	3,822	4,358	(12.3)	32,948
	(Yen)		Change (%)	(U.S. dollars)
Per share:				
Net income	¥ 57.91	¥ 47.84	21.0%	$ 0.50
Fully diluted net income	–	47.81	–	–
Cash dividends applicable to the year	10.00	7.00	42.9	0.09
Stock information:				
Common shares issued	56,533,234	56,533,234	0.0%	
Number of shareholders	5,810	6,217	(6.5)	

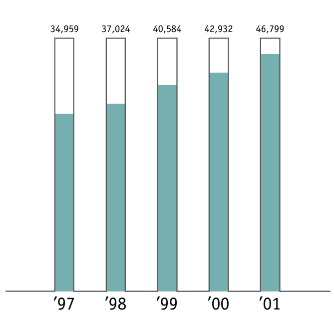
Note: The rate of ¥116 to US$1, prevailing on February 28, 2001 has been used for translation into U.S. dollar amounts.



NET SALES
(MILLIONS OF YEN)



NET INCOME
(MILLIONS OF YEN)



SHAREHOLDERS' EQUITY
(MILLIONS OF YEN)

TO OUR SHAREHOLDERS

ELECTRONIC BUZZER SALES REMAINED LARGELY UNCHANGED IN THE PAST FISCAL YEAR AS SALES FELL SHORT OF OUR TARGET. PERFORMANCE IN OTHER BUSINESS SEGMENTS, HOWEVER, EXCEEDED OUR TARGETS; SALES OF MACHINE TOOLS AND COMPUTER PRINTERS WERE UP SHARPLY. PRECISION PRODUCTS ALSO PERFORMED WELL. THESE FACTORS COMBINED TO LIFT TOTAL NET SALES 16.5% TO ¥52,304 MILLION (US$451 MILLION). INCOME BEFORE INCOME TAXES ROSE 64.5% TO ¥5,316 MILLION (US$46 MILLION) AND NET INCOME ADVANCED 21.2% TO ¥3,274 MILLION (US$28 MILLION). LOOKING BACK, THE PAST YEAR WAS A PERIOD WHEN WE MADE BIG STRIDES TOWARD CREATING A PRODUCT MIX THAT MEETS THE EXPECTATIONS OF THE MARKETPLACE.

Shozo Kasuya *President*

STRONG PERFORMANCES BY ALL OPERATING DIVISIONS

During the fiscal year that ended on February 28, 2001, the Machine Tools Division posted a sharp increase in sales due to a surge in orders for automatic lathes from IT-related manufacturers. In the Special Products Division, sales rose, with rapidly increasing orders for computer printers during the year's second half spurred by the Chinese government's full-scale introduction of a new value-added tax collection system. In the Precision Products Division, sales of non-wrist-watch components increased. In the Components Division, however, sales of electronic buzzers were impacted by a production slowdown at a large European manufacturer of cellular phones. Growth therefore did not meet our target. Overall, we achieved a 21.2% increase in net income. I believe that our performance demonstrates the wisdom of our policy of continuously developing products that meet market needs without overly relying on a single product.

THE OPERATING ENVIRONMENT AND OUR PLANS FOR THE FUTURE

As we enter a new century, companies must cope with increasingly global markets and the relentless advance of the IT revolution. Concurrently, increasing emphasis must be placed on social responsibility, especially regarding the environment. Star Micronics is a technology-driven organization with expertise in precision processing and assembly. Our basic stance is to manage from a global perspective. We want to remain in step with market trends, positioning ourselves squarely in growing fields and geographic regions. Through this policy, we will pursue three central medium-term goals: concentrating investments in highly profitable businesses; boosting synergies within the group; and optimizing R&D, production and sales activities on a global scale. Our ultimate objective is to increase our corporate value.

TARGETING HIGHLY PROFITABLE BUSINESSES

Micro audio components is our most promising business sector. We will continue to channel resources into this field. In the past fiscal year, capital investments for these devices totaled ¥3 billion, a substantial proportion of our total capital investments. Our Dalian plant in China was provided with equipment to raise output and to make new products.

Cellular phones generally use either a buzzer or speaker for ringing tones. Speakers that produce complex melodies are popular in Japan. As a buzzer manufacturer, we are thus falling behind in meeting the demands of Japan's cellular phone manufacturers.

In Europe, an important market for us, priority tends to be placed on specifications like sound pressure and size. We do not foresee the rapid shift from buzzers to speakers that is taking place in Japan. In light of the growth in cellular phone production and our high share (about 40% in the past fiscal year) of the electronic buzzer market, we believe an abrupt drop in our buzzer sales is highly unlikely.

Nevertheless, we will be moving aggressively to establish a presence in the growing markets for peripherals such as speakers, microphones and receivers. We hope to capture a stable market share in each of these categories.

Through this process, we will transform ourselves into a comprehensive supplier of micro audio components.

Bluetooth™ wireless technology opens the door to still more opportunities. Our strengths are well suited to the production of many new wireless communications products, such as Bluetooth-compatible wireless headsets.

Expertise acquired through the production of electronic buzzers has enabled us to develop microphones and receivers for disposable hearing aids, which have been sold in the U.S. since May 2000. A U.S. manufacturer has already chosen us as the exclusive supplier of these devices. Projections place potential users of these hearing aids in the U.S. at about 20 million.

By making focused investments in attractive fields, we will lower our reliance on buzzers, which have driven our growth in the past. Our strategy is to participate in many expanding markets that require skill in micro audio components.

BOOSTING GROUP SYNERGIES

Star Micronics has four operating divisions. Each employs between 100 and 200 people. The relatively small size of each division makes it easy to retain the spirit of a highly motivated, single-minded organization that we have fostered since our establishment. This scale further enables us to reach decisions quickly and to react with agility to shifts in our operating environment.

We must also foster synergies among our businesses by encouraging exchanges of technology, information and people. This will allow us to develop products extending beyond the realm of our existing activities and to target new sources of demand. Illustrating such synergy is our prowess in the sales and manufacture of both precision products and the machinery used to make them. We are therefore in a position to have an intimate knowledge of both the manufacturing of machine tools and the companies that use them.

Thus far, the most notable result of cross-divisional synergies is the SI-12 Swiss-type automatic lathe, a revolutionary product-that went on sale last December. We designed this lathe by drawing on input from our own Precision Products Division. As the largest single user of our lathes, this division provided us with information from the standpoint of an external customer. Software development skills from our electronic equipment business also played a key role in this accomplishment. Our customers are not the only beneficiaries. Star Micronics' Precision Products Division can boost its efficiency by employing machinery designed and produced using these synergies.

OPTIMIZING GLOBAL R&D, PRODUCTION AND SALES ACTIVITIES

We began exporting products from Japan in the early 1960s. In the most recent fiscal year, our overseas sales ratio was 75%. More than half of our production takes place in other countries. We have truly become a global organization.

For our computer printers, most of which are sold in China, we have an integrated production base in Dalian. As a result, overseas production is rising in the Special Products Division, excluding some POS printers. This division's overseas production ratio topped 70% in the past fiscal year. Meanwhile, in our Components Division we have been stepping up overseas production in recent years. In the past fiscal year, this division closed its Japanese assembly plant while increasing production in China. Approximately 90% of this division's products are now made in China. Looking ahead, we plan to increase overseas production in the Machine Tools Division, where Japan already accounts for less than half of sales. We also plan to increase overseas production in the Precision Products Division.

R&D is the area where we need to work most on globalization. We have basically conducted these programs solely at the head office. However, if we limit our R&D activities to Japan, we risk losing the ability to adapt to new market demands. It is essential that we quickly incorporate customer demands and the latest technology in our products. Doing so mandates that we conduct R&D in optimal locations. This is why by the end of February 2001 we had initiated R&D programs in the U.S. and U.K.

May 2001

Shozo Kasuya
President

STAR MICRONICS FOLLOWS A SIMPLE POLICY: UTILIZE CORE PRECISION PROCESSING AND ASSEMBLY SKILLS TO PARTICIPATE IN GROWING MARKETS. CONSTANTLY STRIVING TO CREATE NEW PRODUCTS IS CRUCIAL TO SUCCESS. IN FACT, THE COMPANY HAS GROWN PRECISELY BY REPLACING EXISTING PRODUCTS WITH NEW ONES TO TARGET NEW MARKETS.

FEATURE 1

SPREADING OUR WINGS INTO NEW MARKETS

BOASTING A 40% SHARE OF THE GLOBAL MARKET FOR CELLULAR PHONE ELECTRONIC BUZZERS, STAR MICRONICS IS NOW EXPANDING TO COVER MANY OTHER TYPES OF MICRO AUDIO COMPONENT.

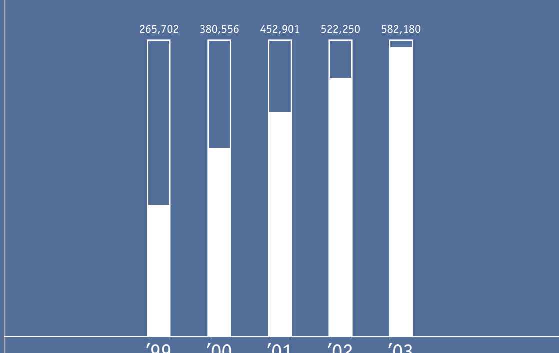
PRODUCTS THAT CONSISTENTLY TARGET GROWING MARKETS

New opportunities for Star Micronics are countless. Any industry requiring small, precision-made components offers a chance for business expansion. There is one disadvantage, however. Sales and earnings are susceptible to changes in demand for the finished products in which these components are used. The conclusion is clear: Star Micronics must always set its sights on steadily expanding markets.

Today, the IT sector presents the greatest potential for growth. The precision processing expertise of Star Micronics is a perfect match with the precise technologies upon which IT companies depend. About 70% of sales are now derived from the IT sector. This includes precision components for PCs and communications equipment, the machinery used to make such products, and components for cellular phones. Last year, total machinery orders in Japan increased about 30%, whereas at our Machine Tools Division, orders were up 57% during the same period. This is a direct result of the company's strategic focus on IT-related demand.

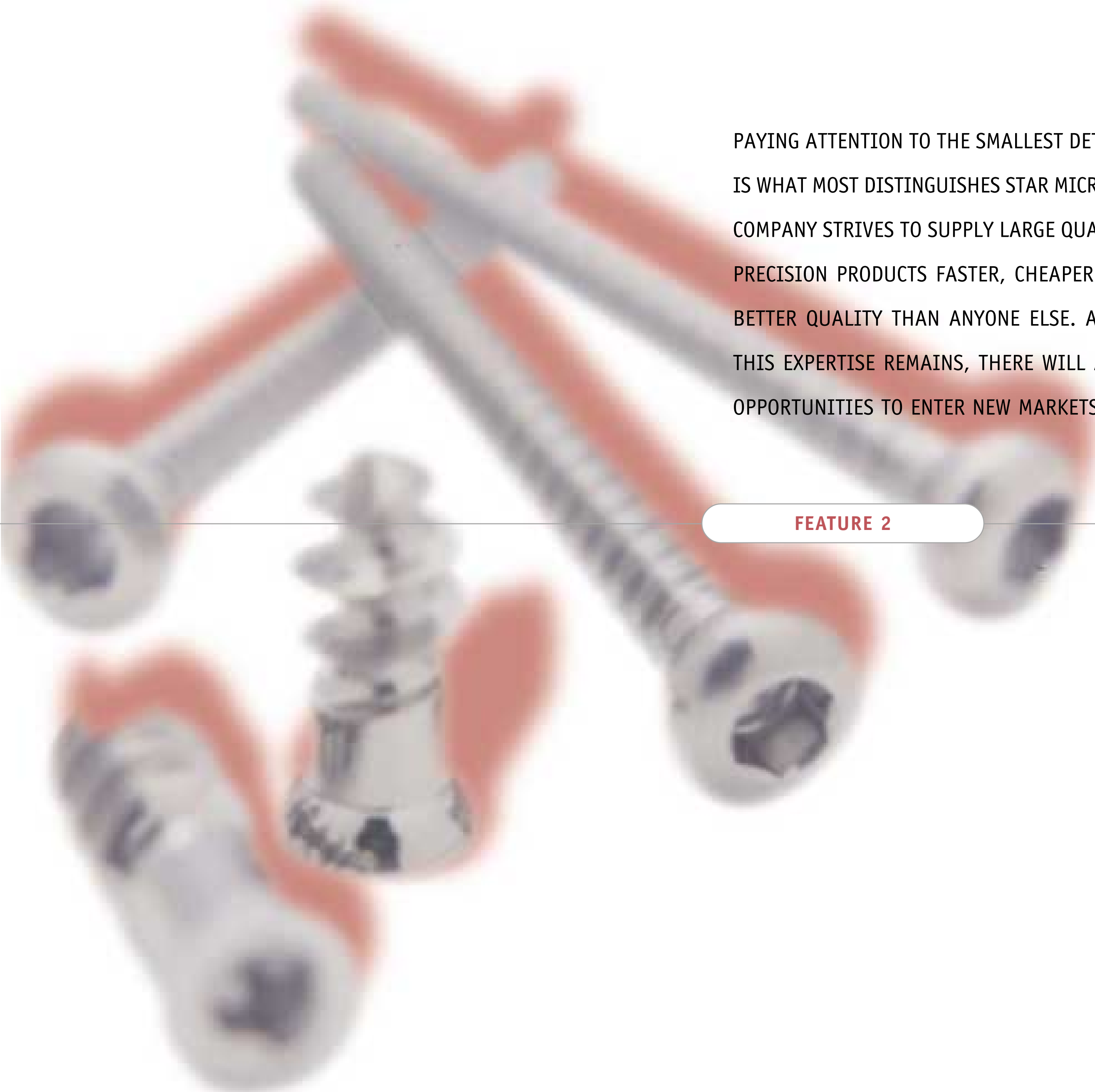
Electronic buzzers illustrate this process. Among the first to enter this market, Star Micronics has increased buzzer sales during the past decade at an average annual rate of 13%. Today, Star Micronics has 40% of the global market for cellular phone buzzers. Cellular phone demand is projected to achieve double-digit growth in years to come.

Nevertheless, taking on new challenges is critical to sustaining growth. At Star Micronics, the next challenge is building on its dominant lead in buzzers to produce a full line of micro audio components that includes speakers, microphones and receivers.



MOBILE PHONE DEMAND
(THOUSANDS OF UNITS)

Source: Japan Electronics and Information Technology Industries Association (JEITA) estimates



PAYING ATTENTION TO THE SMALLEST DETAIL—THIS IS WHAT MOST DISTINGUISHES STAR MICRONICS. THE COMPANY STRIVES TO SUPPLY LARGE QUANTITIES OF PRECISION PRODUCTS FASTER, CHEAPER AND WITH BETTER QUALITY THAN ANYONE ELSE. AS LONG AS THIS EXPERTISE REMAINS, THERE WILL ALWAYS BE OPPORTUNITIES TO ENTER NEW MARKETS.

FEATURE 2

MAXIMIZING VALUE THROUGH HIGH-TECH PRODUCTS

LOOKING BEYOND TRADITIONAL STRENGTHS IN WRISTWATCH AND PC HARDWARE COMPONENTS, THE PRECISION PRODUCTS DIVISION IS ADDING OPTICAL CONNECTORS, MEDICAL COMPONENTS AND OTHER NEW PRODUCTS.

A WEALTH OF EXPERTISE IN THE FABRICATION OF PRECISION PRODUCTS

Star Micronics has relied on a constantly evolving collection of core products. Originally a supplier of wristwatch parts, the company added a succession of new businesses: machine tools, printers and micro audio components. Making all this possible has been precision component production technology. This is much more than making small things. Success requires the know-how to build factories able to produce high-quality goods quickly, in large quantities and at a competitive cost. Precision processing skill alone is not enough to persevere amid fierce global competition. Survival is dependent on meeting customers' demands for quality, volume and other items from the receipt of orders all the way to delivery.

Standing behind Star Micronics' wealth of knowledge is its decades of experience and relatively small size. A medium-sized organization makes it possible to respond with alacrity to changing customer needs. Experience is invaluable on the long path to commercializing a new idea. In addition, Star Micronics can automate factories more easily because it develops and makes production machinery. That means lower costs and higher quality.

It is little wonder, therefore, that Star Micronics can produce a steady stream of components and products incorporating next-generation technology. In the Components Division, examples include micro audio components such as speakers and microphones and components for disposable hearing aids. The Machine Tools Division has unveiled the SI-12 lathe, which features a motion control system unique to Star Micronics. Growth in the Precision Products Division is driven in part by the new optical connector and medical equipment component businesses.

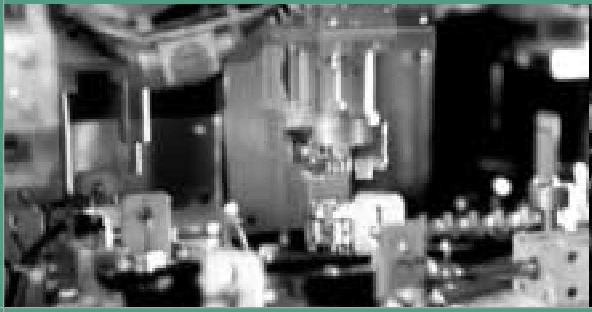
Increasing environmental awareness presents other opportunities. Smaller machinery is more environmentally compatible. The kinds of products made by Star Micronics will certainly become increasingly vital in numerous applications. As long as the company retains its skill in precision processing and assembly, there will be boundless opportunities in new markets.

MAXIMIZING BENEFITS WHILE MINIMIZING MATERIALS. SLASHING TRANSPORTATION EXPENSES. REDUCING MANPOWER. THESE ARE THE POLICIES SET FORTH BY STAR MICRONICS' FOUNDER 50 YEARS AGO. DESPITE THE DRAMATIC CHANGES IN MARKETS SINCE THEN, THESE SAME PRECEPTS REMAIN THE FOUNDATION OF THE COMPANY'S MANAGEMENT.

FEATURE 3

HIGH OPERATING EFFICIENCY SPELLS A POWERFUL COMPETITIVE ADVANTAGE

STAR MICRONICS IS WORKING TO IMPROVE PRODUCTION EFFICIENCY THROUGH FULLY AUTOMATED MANUFACTURING OPERATIONS.



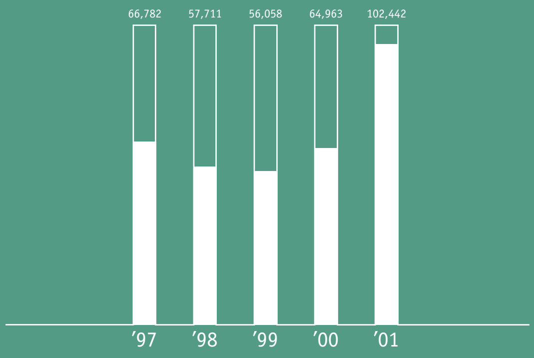
SEEKING TO MAKE MANUFACTURING ACTIVITIES STILL MORE EFFICIENT

New ideas, no matter how innovative, can never reach the market without mass production technology. And new products will never withstand the forces of global competition unless production costs can be held down.

Star Micronics has always operated with these issues in mind. The company specializes in value-added products and constantly searches for ways to bring down transportation expenses and eliminate the need for labor at factories. Management policies are closely aligned with the needs of a sophisticated manufacturing system. Through such policies, Star Micronics has accumulated considerable skill and achieved a high degree of factory automation. Backed by this infrastructure, the company's low-cost, high-quality products have sold well in overseas markets for many years. Supply chain management is now being applied to buzzer production. This will yield a production system better able to adapt to shifts in demand.

There are no final goals for these initiatives. Global competition is always intensifying. This is why optimizing R&D, manufacturing and sales activities on a worldwide scale is a key medium-term goal. One concrete objective is to raise the overseas production ratio, which was about 50% in February 2001. Large investments continue in China, primarily at Star Micronics Manufacturing Dalian Co., Ltd. Plans call for moving more manufacturing activities overseas. For electronic buzzers and POS printers, production was transferred to China during the past fiscal year as two Japanese manufacturing subsidiaries were shut down.

Even outside Japan, Star Micronics is applying the same rigorous automation standards as it does in Japan. Risks associated with a sudden and unforeseen rise in labor costs are substantially lessened. This permits the company to manage overseas operations over the long term so as to become an integral part of local economies.

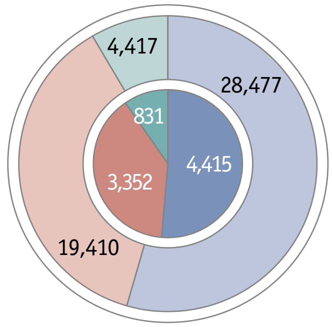


STAR DALIAN SHIPMENTS
(THOUSANDS OF US$)

REVIEW OF OPERATIONS

Business Segments

(Year ended Feb. 28, 2001)



SALES & OPERATING INCOME COMPOSITION BY BUSINESS SEGMENT

(MILLIONS OF YEN)

TOTAL SALES
- Precision Electronic Equipment
- Machine Tools
- Precision Products

OPERATING INCOME
- Precision Electronic Equipment
- Machine Tools
- Precision Products

Note: Operating income includes company-wide expenses of ¥2,246 million.

PRECISION ELECTRONIC EQUIPMENT

IN THE 2ND HALF OF THE YEAR, THE FULL-SCALE INTRODUCTION OF THE VALUE-ADDED TAX SYSTEM SPURRED RAPID GROWTH IN SALES, ESPECIALLY IN FLATBED PRINTERS EQUIPPED WITH A COPYING FUNCTION, WHICH ARE WELL SUITED TO INVOICE PRINTING.

micro audio components

The Precision Electronic Equipment Segment comprises two business divisions: the Components Division, which manufactures and sells electronic buzzers for cellular phones and other micro audio components, and the Special Products Division, which focuses on computer printers, POS printers and other specialty products.

In the Components Division, net sales of electronic buzzers, which made up the largest share of sales, remained largely unchanged from the previous year, at ¥12,496 million. This was attributable to scaled-down production on the part of European cellular phone manufacturers in the second half of the year, as worldwide demand for cellular phones fell short of initial forecasts.

In the year ended February 28, 2001, the Component Division diversified its lineup of compact audio devices. Shipments of speakers, microphones and receivers have already started. Nonetheless, sales of compact audio devices other than electronic buzzers remained under ¥1 billion. Star Micronics believes, however, that it can increase sales of these products, mainly to its existing customers in the electronic buzzer business, by leveraging its technical expertise and experience in electronic buzzers. In particular, if the company succeeds in winning orders from major cellular phone manufacturers this year, it expects these products to become a significant source of earnings from the fiscal year ending February 2003. In the area of microphones and receivers, Star Micronics already is the dominant supplier of these components to U.S. manufacturers of disposable hearing aids. The size of the U.S. market for disposable hearing aids is estimated at 20 million potential users.

computer printer NX-650

The Special Products Division's mainstay products are computer printers and POS printers. The main target market for the company's computer printers is China, where it has an integrated system, from production through sales. The Chinese government is currently reforming its tax system. To this end, the government is working to implement comprehensive tax collection systems. From an early stage, Star Micronics focused marketing activities on the government's planned introduction of a new value-added tax collection system, which forms part of comprehensive reforms. In the 2nd half of the year, the full-scale introduction of the value-added tax system spurred rapid growth in sales, especially in flatbed printers equipped with a copying function, which are well suited to invoice printing. On an order basis, the company held the dominant market share in system-specific printers as of the end of the fiscal year.

Star Micronics worked to increase sales of POS printers during the year under review by launching new thermal printer models. The company, however, faced difficult circumstances due to sluggish demand and stiff price competition. Nonetheless, there are grounds for optimism. Although China's tax collection system currently focuses on large companies and large transactions, the spotlight will almost certainly shift to smaller companies and smaller transactions in the future. Star Micronics expects this to result in a new market for its POS printers.

The Special Products Division also manufactures and sells card readers/writers for business applications such as loyalty cards for frequent shopper programs. These readers/writers have yet to make a material contribution to the company's results.

Sales by the Special Products Division rose 11.0% to ¥15,351 million.

Net sales by the Precision Electronic Equipment Segment increased 7.8% to ¥28,477 million (US$245,491 thousand).

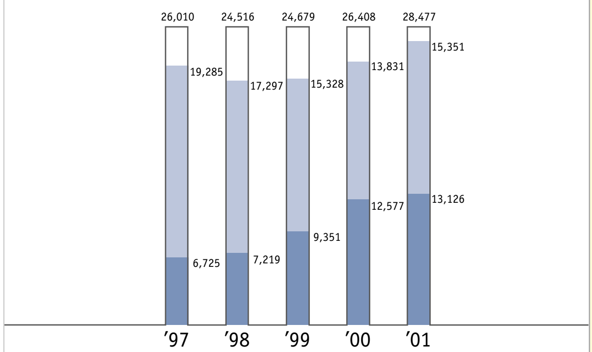
Electronic buzzers for overseas cellular phone manufacturers account for the majority of this division's sales. As such, Star Micronics will close 2 domestic plants and consolidate production in China.

Furthermore, Star Micronics partially introduced a supply chain management system in November 2000. The system is used to forecast demand from the company's major clientele, European cellular phone manufacturers. This has in turn allowed the company to shorten its production management cycle from a monthly to a weekly period. Star Micronics expects this system to yield dramatic reductions in delivery time and inventories. Although Star Micronics currently manufactures speakers and other audio devices domestically, the company expects to gradually shift production to China as production volume increases.

Star Micronics manufactures all of its computer printers in China, and outsources the production of approximately half of its POS printers overseas. In the future, the company plans to step up outsourced production of POS printers.

Operating income in the Precision Electronic Equipment Division thus increased ¥751 million, or 20.5%, to ¥4,415 million (US$38,060 thousand). The operating income ratio climbed to 15.5%.

In April 2001, Star Micronics increased its equity interest in Dalian Sande Electronics Co., Ltd. to 93%, thereby making it into a consolidated subsidiary. This move was intended to bolster the company's production base in China. Dalian Sande Electronics located adjacent to Star Micronics Manufacturing Dalian Co., Ltd., a wholly owned Chinese subsidiary, has manufactured products for Star Micronics Manufacturing Dalian on a contract basis.



NET SALES BY THE PRECISION ELECTRONIC EQUIPMENT SEGMENT
(MILLIONS OF YEN)

Components Special Products

MACHINE TOOLS

THE NEW MODEL SWISS-TYPE AUTOMATIC LATHE SI-12 HAS SEEN BETTER-THAN-EXPECTED ORDERS SINCE IT WENT ON SALE IN DECEMBER 2000. THIS STATE-OF-THE-ART LATHE EMPLOYS A PROPRIETARY MOTION CONTROL SYSTEM THAT SUBSTANTIALLY SHORTENS MACHINING TIME.

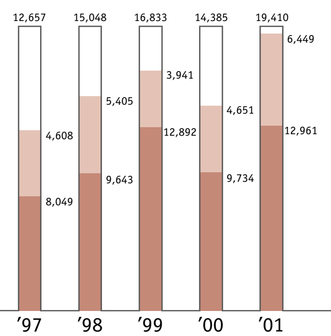
The market gave high marks to Star Micronics' CNC automatic lathes, in particular the SA and SR series, featuring high-precision and cost-efficient production, and the SV series, featuring high-precision complex machining and the ability to cope with materials that are difficult to lathe. Besides the domestic market, these products sold strongly in overseas markets such as the U.S. and Southeast Asia. Indeed, overseas sales made up 66.8% of the Segment's overall sales.

CNC automatic lathe SR-20R

Domestic sales of machine tools rose dramatically, reflecting the surge in capital investment on the part of the IT and automotive industries in particular. Overseas sales also saw strong growth, despite the depreciation of the euro. Growth was fueled by strong capital investment in the U.S., Europe and Asia. The new model Swiss-type automatic lathe SI-12 has seen better-than-expected orders since it went on sale in December 2000. This state-of-the-art lathe employs a proprietary motion control system that substantially shortens machining time.

The market for automatic lathes is fragmenting into two broad categories: Markets that favor heavy turning capability and greater versatility, such as the Japanese, U.S, and European markets, and those that favor large volume, low-cost production, such as the Asian markets. In May 2000, Star Micronics opened an overseas office in Bangkok, Thailand, with the view to establishing a sales system in close touch with local needs, bolstering market research in the Southeast Asian region, and improving services.

The Machine Tools Division posted record sales at ¥19,410 million (US$167,328 thousand), up ¥5,025 million, or 34.9%, over the previous year. Operating income rose ¥1,313 million, or 64.4%, to ¥3,352 million (US$28,897 thousand), while the operating income ratio increased to 17.3%.



NET SALES BY THE MACHINE TOOLS SEGMENT

(MILLIONS OF YEN)

Overseas Domestic

PRECISION PRODUCTS

IN PRECISION PRODUCTS OTHER THAN WRISTWATCH COMPONENTS, RISING DEMAND FOR OPTICAL FIBER CONNECTOR PARTS MADE A MATERIAL CONTRIBUTION TO RESULTS. AND AS THE ERA OF BROADBAND COMMUNICATIONS DAWNS, THE COMPANY EXPECTS DEMAND TO CONTINUE TO RISE.

This Segment's products can be classified into two main areas: wristwatch components, a mainstay business since the founding of the company, and precision products other than wristwatch components.

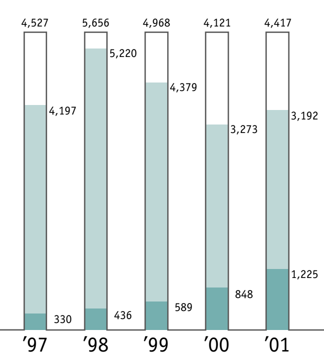
The growth in the market for wristwatch components on a volume basis has been outweighed by plummeting prices, reflecting the severe business environment. Consequently, net sales for wristwatch components declined slightly to ¥3,192 million.

optical connector parts

Meanwhile, in precision products other than wristwatch components, rising demand for optical fiber connector parts made a material contribution to results. And as the era of broadband communications dawns, the company expects demand to continue to rise. Since precision components for optical communication equipment are difficult to manufacture, Star Micronics stands to apply the strengths of its precision processing technology in this field. In precision components for medical equipment, Star Micronics is seeing a steady rise in orders for dental drill and implant parts, as well as bone screws for bonesetting. In addition, Star Micronics is working to secure more orders for PC peripheral and automotive components. As a result of these actions, sales of precision products other than wristwatch components surged 44.5% over the previous year to ¥1,225 million.

Overall sales in the Precision Products Division increased ¥296 million, or 7.2%, to ¥4,417 million (US$38,078 thousand). Operating income declined ¥71 million, or 7.9%, to ¥831 million (US$7,164 thousand). The operating income ratio for this division was 18.8%.

Production this division is mainly based in Japan because products are primarily sold domestically. To meet rising demand for optical fiber connector parts, Star Micronics completed construction of a new plant in Kikugawa, Shizuoka Prefecture during the year. The plant started operations in October 2000.



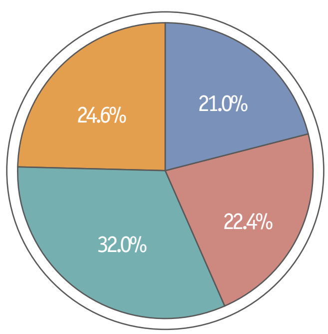
NET SALES BY THE PRECISION PRODUCTS SEGMENT

(MILLIONS OF YEN)

Non-wristwatch Components Wristwatch Components

Looking ahead, Star Micronics intends to gradually optimize overseas development, production and sales. In more specific terms, the company established Shanghai S&E Precision Co., Ltd., a joint venture with Eto Co., Ltd., a Japanese trading company specializing in precision components, in Shanghai in April 2001, to manufacture and sell components for car audio systems in China. The joint venture is capitalized at US$2 million. Star Micronics and Eto hold stakes of 60% and 40%, respectively. Shanghai S&E Precision is expected to commence operations in July 2001.

Sales System and Net Sales by Geographical Region



NET SALES BY GEOGRAPHICAL REGION
(PERCENTAGE OF TOTAL SALES)
(%)

Europe
North America
Asia
Japan

Over 75% of Star Micronics' products are sold overseas. To provide customer support worldwide, the company operates a network of overseas bases. The company has 2 sales subsidiaries in the UK and 2 in the U.S, as well as 1 each in Germany, Switzerland, and China.

Sales by geographical region were as follows. In Europe, net sales fell ¥1,625 million, or 12.9%, to ¥10,952 million (US$94,414 thousand). In North America, net sales were up ¥862 million, or 7.9%, at ¥11,729 million (US$101,112 thousand). The change in sales for each region was attributable primarily to sales of machinery tools in each region. In Asia, net sales surged ¥7,085 million, or 73.4%, to ¥16,736 million (US$144,276 thousand). This reflected strong sales of machine tools, as well as an increase in orders for computer printers in China.

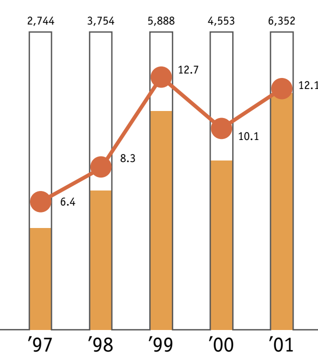
INCOME ANALYSIS (CONSOLIDATED)

IN VIEW OF THE STRONG RESULTS ACHIEVED DURING THE YEAR, MANAGEMENT HAS DECIDED ON AN INCREASE OF ¥1.5 IN THE DIVIDEND PER SHARE AND A COMMEMORATIVE DIVIDEND OF ¥1.5 PER SHARE, BRINGING THE DIVIDEND FOR THE YEAR TO ¥10.0 PER SHARE.

Net sales increased ¥7,390 million, or 16.5%, to ¥52,304 million (US$450,897 thousand). Cost of sales also rose ¥5,011 million, or 17.4%, to ¥33,863 million. Gross profit on sales accordingly increased by ¥2,379 million, or 14.8%, to ¥18,441 million (US$158,974 thousand).

Selling, general and administrative expenses rose ¥580 million, or 5.0%, to ¥12,089 million (US$104,215 thousand). Of this amount, personnel expenses, which accounted for the largest share, declined 1.8% to ¥3,859 million. Nonetheless, the overall increase in SGA expenses reflected higher shipping charges and sales commissions in line with increased sales.

The cumulative effect of the above factors was to increase operating income by ¥1,799 million, or 39.5%, to ¥6,352 million (US$54,759 thousand).



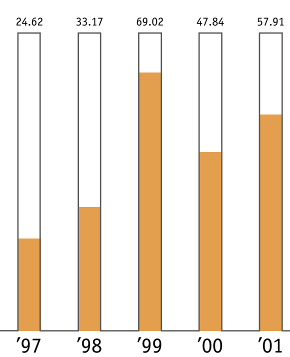
OPERATING INCOME AND OPERATING INCOME RATIO
(MILLIONS OF YEN, %)

Operating Income
Operating Income Ratio (%)

Other expenses improved from ¥1,321 million in the previous year to ¥1,036 million (US$8,931 thousand). This was attributable principally to a rise in interest and dividend income of ¥125 million to ¥268 million. Interest expenses decreased ¥10 million to ¥168 million, reflecting a ¥536 million reduction of the aggregate balance of short-term bank loans and long-term debt. Net exchange losses were ¥180 million, a significant improvement on the ¥766 million posted in the previous year, reflecting less volatility in foreign exchange markets. Net losses on the sale of property, plant and equipment amounted to ¥400 million, due to losses on disposals of aging facilities. During the year, the company revised its applicable discount rate on pension assets. This resulted in a loss of ¥739 million in prior service costs. In the year ending February 2002, the company expects to record additional pension liabilities associated with a change in accounting standards. Under the other-net account, the company realized ¥106 million in gains on the sales of marketable and investment securities, and recorded unrealized losses of ¥94 million on marketable and investment securities, shown under current assets and investments and other assets, stated at the lower of cost or market.

Income before income taxes and minority interest accordingly increased ¥2,084 million, or 64.5%, to ¥5,316 million (US$45,828 thousand). Net income, after deduction of income taxes and minority interest, rose ¥572 million, or 21.2%, to ¥3,274 million (US$28,224 thousand). Net income per share was ¥57.91.

In view of the strong results achieved during the year, management has decided on an increase of ¥1.5 in the dividend per share and a commemorative dividend of ¥1.5 per share, bringing the dividend for the year to ¥10.0 per share.



EARNING PER SHARE
(YEN)

FINANCIAL POSITION & LIQUIDITY

SHAREHOLDERS' EQUITY INCREASED ¥3,867 MILLION, OR 9.0%, TO ¥46,799 MILLION (US$403,440 THOUSAND). EQUITY PER SHARE APPRECIATED ¥68.36 TO ¥827.84.

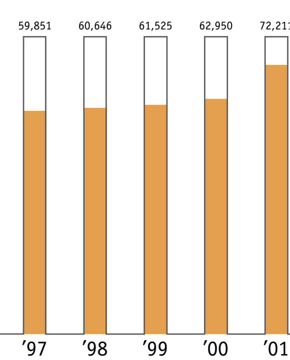
Current assets at year-end stood at ¥48,053 million (US$414,251 thousand), an increase of ¥7,934, or 19.8%, over the balance at the beginning of the year. This reflected an increase in receivables, namely trade notes and trade accounts, of ¥2,459 million associated with net sales growth. Likewise, inventories increased ¥3,526 million to ¥17,825 million. The year-end balance of marketable securities was ¥3,392 million. Marketable securities with market quotations were stated at lower of cost or market, while those without quotations were stated at cost. Marketable securities comprised the following: marketable equity securities of ¥594 million, corporate bonds of ¥1,058 million, and trust fund investments and other of ¥1,740 million. Unrealized losses on marketable securities were ¥86 million at year-end.

Property, plant and equipment rose ¥2,993 million, or 20.5%, to ¥17,626 million, due primarily to a ¥2,619 million increase in machinery and equipment mainly for the company's plant in Dalian, China.

Investments and other assets fell ¥1,666 million, or 20.3%, to ¥6,532 million (US$56,310 thousand). Equity securities listed on exchanges, made up the largest proportion of ¥1,775 million in investment securities. Unrealized gains on these securities were ¥170 million at year-end. Investments in non-consolidated subsidiaries and an associated company were ¥1,715 million, primarily comprising the company's investment in Dalian Sande Electronics Co., Ltd., which totaled approximately ¥1.4 billion. Dalian Sande Electronics became a consolidated subsidiary of Star Micronics effective fiscal 2002, following additional investment in the company in April 2001.

The cumulative effect of the above factors was to increase total assets to ¥72,211 million (US$622,509 thousand), up ¥9,261 million, or 14.7%.

Meanwhile, current liabilities rose ¥6,519 million, or 37.6%, to ¥23,868 million (US$205,759 thousand),



TOTAL ASSETS
(MILLIONS OF YEN)

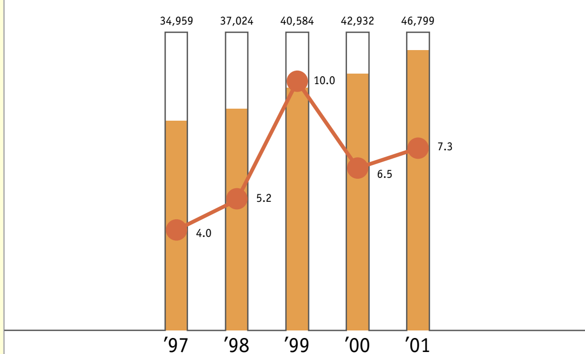
mainly owing to a ¥4,841 million increase in payables, namely trade notes and trade accounts, in line with increased net sales during the year.

Long-term liabilities decreased substantially to ¥1,442 million (US$12,431 thousand), down ¥1,145 million, or 44.3%. This was primarily the result of reducing long-term debt by ¥1,115 million.

Shareholders' equity increased ¥3,867 million, or 9.0%, to ¥46,799 million (US$403,440 thousand). Equity per share appreciated ¥68.36 to ¥827.84.

Net cash used in financing activities increased ¥368 million, or 48.0%, to ¥1,135 million (US$9,784 thousand). This was primarily attributable to the reduction of short-term bank loans and long-term debt.

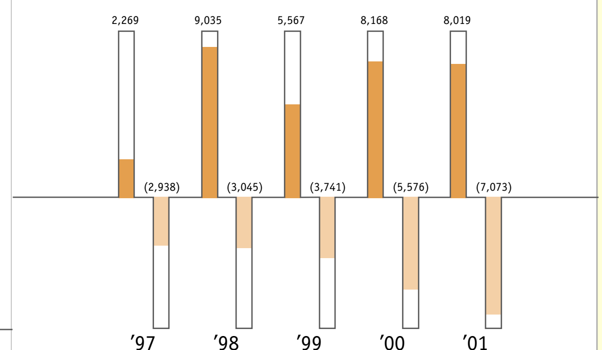
Foreign currency translation adjustments on cash and cash equivalents provided an additional ¥372 million. As a result, the net increase in cash and cash equivalents amounted to ¥183 million. Cash and cash equivalents at the end of the year stood at ¥8,810 million (US$75,948 thousand).



SHAREHOLDERS' EQUITY AND RETURN ON EQUITY

(MILLIONS OF YEN, %)

Shareholders' Equity   Return on Equity (%)



CASH FLOWS

(MILLIONS OF YEN)

Operating Activities   Investing Activities

CASH FLOWS

THE MOST SIGNIFICANT FACTOR IN THIS DECLINE WAS THAT THE CUMULATIVE TOTAL OF RECEIVABLES, INVENTORIES AND PAYABLES AND ACCRUED EXPENSES, WHICH PROVIDED NET CASH OF ¥2,525 MILLION IN THE PREVIOUS YEAR, USED NET CASH OF ¥198 MILLION.

Net cash provided by operating activities declined ¥149 million, or 1.8%, to ¥8,019 million (US$69,129 million), mainly consisting of income before income taxes of ¥5,316 million and deprecation and amortization of ¥3,268 million. The most significant factor in this decline was that the cumulative total of receivables, inventories and payables and accrued expenses, which provided net cash of ¥2,525 million in the previous year, used net cash of ¥198 million.

Net cash used in investing activities increased ¥1,497 million, or 26.8%, to ¥7,073 million (US$60,974 thousand). This was attributable to a surge in property, plant and equipment investment of ¥2,804 million, or 80.4%, to ¥6,291 million. Significant charges here included ¥2,925 million for production facilities for electronic buzzers, and ¥1,179 million for machine tools.

CAPITAL EXPENDITURES AND R&D EXPENSES

Group-wide capital expenditures for the Precision Electronic Equipment, Machine Tools and Precision Products segments were ¥3,786 million, ¥1,578 million, and ¥796 million, respectively. Other capital expenditures amounted to ¥221 million. Total capital expenditures totaled ¥6,381 million, of which approximately ¥3 billion derived from bolstering the production capacity of electronic buzzers, and acquiring production machinery and dyes for micro audio components such as speakers, microphones, and receivers.

The company forecasts capital expenditures of ¥11.7 billion over the next 3 years, centered on micro audio component-related facilities.

Previously, Star Micronics' R&D expenses were held at roughly 5% of net sales. With the view to capitalizing on the opportunities presented by the advancement of IT and burgeoning social awareness of the environment, Star Micronics intends to increase its R&D spending as a percentage of net sales.

R&D expenses for the year ended February 28, 2001 increased 5.0% from the previous year to ¥2,446 million.

FINANCIAL SECTION

CONTENTS

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)				
	2001	2000	1999	1998	1997
For the year:					
Net sales	**¥52,304**	¥44,914	¥46,480	¥45,220	¥43,194
Cost of sales	**33,863**	28,852	28,269	28,698	28,748
Selling, general and administrative expenses	**12,089**	11,509	12,323	12,768	11,702
Operating income	**6,352**	4,553	5,888	3,754	2,744
Other income (expenses)	**(1,036)**	(1,321)	(1,041)	(1,166)	186
Income before income taxes and minority interest	**5,316**	3,232	4,847	2,588	2,930
Income taxes	**2,014**	511	912	689	1,513
Minority interest	**28**	19	36	25	26
Net income	**3,274**	2,702	3,899	1,874	1,391
Per share:					
Net income	**¥ 57.91**	¥ 47.84	¥ 69.02	¥ 33.17	¥ 24.62
Fully diluted net income	**–**	47.81	69.00	–	–
At year-end:					
Current assets	**¥48,053**	¥40,119	¥38,885	¥40,764	¥38,930
Property, plant and equipment	**17,626**	14,633	15,289	14,551	14,013
Total assets	**72,211**	62,950	61,525	60,646	59,851
Long-term liabilities	**1,442**	2,587	1,864	2,405	3,790
Shareholders' equity	**46,799**	42,932	40,584	37,024	34,959

	Yen				
Stock exchange price per share of common stock:					
Highest	**¥2,120**	¥1,917	¥860	¥790	¥1,170
Lowest	**1,024**	505	413	315	652

CONSOLIDATED BALANCE SHEETS

Star Micronics Co., Ltd. and Consolidated Subsidiaries
February 28, 2001 and February 29, 2000

Assets	Millions of yen 2001	Millions of yen 2000	Thousands of U.S.dollars (Note 1) 2001
Current assets:			
Cash and cash equivalents	**¥ 8,810**	¥ 8,627	**$ 75,948**
Marketable securities (Note 3)	**3,392**	2,724	**29,241**
Short-term investments (Note 4)	**60**	83	**517**
Receivables (Note 6):			
Trade notes	**1,909**	1,654	**16,457**
Trade accounts (Note 11)	**12,461**	10,257	**107,422**
Non-consolidated subsidiaries and associated companies	**378**	2	**3,259**
Other	**1,257**	1,093	**10,836**
Allowance for doubtful receivables	**(435)**	(247)	**(3,750)**
Inventories (Notes 5 and 6)	**17,825**	14,299	**153,664**
Deferred tax assets (Notes 2.i and 10)	**1,870**	770	**16,121**
Prepaid expenses and other	**526**	857	**4,536**
Total current assets	**48,053**	40,119	**414,251**
Property, plant and equipment (Note 6):			
Land	**2,767**	2,306	**23,853**
Buildings and structures	**10,153**	9,355	**87,526**
Machinery and equipment	**35,274**	32,655	**304,086**
Construction in progress	**93**	53	**802**
Total	**48,287**	44,369	**416,267**
Accumulated depreciation	**(30,661)**	(29,736)	**(264,319)**
Net property, plant and equipment	**17,626**	14,633	**151,948**
Investments and other assets:			
Investment securities (Notes 3 and 6)	**1,775**	1,627	**15,302**
Investments in non-consolidated subsidiaries and associated companies	**1,715**	1,687	**14,784**
Deferred tax assets (Notes 2.i and 10)	**88**	–	**759**
Foreign currency translation adjustments	**1,514**	3,398	**13,052**
Other assets	**1,440**	1,486	**12,413**
Total investments and other assets	**6,532**	8,198	**56,310**
Total	**¥72,211**	¥62,950	**$622,509**

See notes to consolidated financial statements.

Liabilities and shareholders' equity	Millions of yen 2001	2000	Thousands of U.S.dollars (Note 1) 2001
Current liabilities:			
Short-term bank loans (Note 6)	**¥ 1,411**	¥ 1,695	**$ 12,164**
Current portion of long-term debt (Note 6)	**1,131**	268	**9,750**
Payables:			
Trade notes	**1,996**	6,076	**17,207**
Trade accounts (Note 11)	**11,545**	2,624	**99,526**
Non-consolidated subsidiaries and associated companies	**288**	189	**2,483**
Other	**1,508**	1,520	**13,000**
Income taxes payable (Note 10)	**1,463**	699	**12,612**
Accrued expenses	**1,475**	1,328	**12,716**
Other (Note 7)	**3,051**	2,950	**26,301**
Total current liabilities	**23,868**	17,349	**205,759**
Long-term liabilities:			
Long-term debt (Note 6)	**1,280**	2,395	**11,034**
Liability for retirement benefits of directors and corporate auditors	**159**	169	**1,371**
Other	**3**	23	**26**
Total long-term liabilities	**1,442**	2,587	**12,431**
Minority interest	**102**	82	**879**
Contingent liabilities (Notes 13 and 16)			
Shareholders' equity (Notes 9 and 18):			
Common stock, ¥50 par value – authorized, 160,000,000 shares; issued 56,533,234 shares	**12,722**	12,722	**109,672**
Additional paid-in capital	**13,877**	13,877	**119,629**
Retained earnings (Note 2.i)	**20,202**	16,342	**174,156**
Total	**46,801**	42,941	**403,457**
Less treasury stock – at cost 1,903 shares in 2001 and 5,509 shares in 2000	**(2)**	(9)	**(17)**
Total shareholders' equity	**46,799**	42,932	**403,440**
Total	**¥72,211**	¥62,950	**$622,509**

CONSOLIDATED STATEMENTS OF INCOME

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2001 and February 29, 2000

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2001	2000	**2001**
Net sales (Note 11)	**¥52,304**	¥44,914	**$450,897**
Cost of sales (Note 11)	**33,863**	28,852	**291,923**
Gross profit	**18,441**	16,062	**158,974**
Selling, general and administrative expenses	**12,089**	11,509	**104,215**
Operating income	**6,352**	4,553	**54,759**
Other income (expenses):			
Interest and dividend income	**268**	143	**2,310**
Interest expense (Note 6)	**(168)**	(178)	**(1,448)**
Exchange loss – net	**(180)**	(946)	**(1,552)**
Gain on sales of property, plant and equipment	**24**	5	**207**
Loss on disposals of property, plant and equipment	**(424)**	(168)	**(3,655)**
Prior service cost of pension plan	**(739)**	–	**(6,371)**
Other – net (Note 14)	**183**	(177)	**1,578**
Other expenses – net	**(1,036)**	(1,321)	**(8,931)**
Income before income taxes and minority interest	**5,316**	3,232	**45,828**
Income taxes (Note 2.i and 10)			
Current	**2,105**	1,213	**18,146**
Deferred	**(91)**	(702)	**(784)**
Total	**2,014**	511	**17,362**
Income before minority interest	**3,302**	2,721	**28,466**
Minority interest	**28**	19	**242**
Net income	**¥ 3,274**	¥ 2,702	**$ 28,224**

	Yen		U.S. dollars
Per share of common stock (Notes 2.m and 9):			
Net income	**¥57.91**	¥47.84	**$0.50**
Fully diluted net income	**–**	47.81	**–**
Cash dividends applicable to the year	**10.00**	7.00	**0.09**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2001 and February 29, 2000

	Thousands	Millions of yen			
	Outstanding number of shares of common stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock – at cost
Balance, February 28, 1999	56,494	¥ 12,685	¥ 13,840	¥ 14,060	¥(1)
Net income				2,702	
Cash dividends, ¥7.0 per share				(395)	
Bonuses to directors and corporate auditors				(25)	
Conversion of convertible bonds	39	37	37		
Treasury stock acquired – net (3,308 shares)					(8)
Balance, February 29, 2000	56,533	12,722	13,877	16,342	(9)
Cumulative effect of differed taxes to the retained earnings				**1,092**	
Net income				**3,274**	
Cash dividends, ¥8.5 per share				**(481)**	
Bonuses to directors and corporate auditors				**(25)**	
Treasury stock sold – net (3,606 shares)					**7**
Balance, February 28, 2001	**56,533**	**¥12,722**	**¥13,877**	**¥20,202**	**¥(2)**

	Thousands of U.S. dollars (Note 1)			
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock – at cost
Balance, February 29, 2000	$ 109,672	$ 119,629	$ 140,879	$(78)
Cumulative effect of deferred taxes to the retained earnings			**9,416**	
Net income			**28,224**	
Cash dividends, $0.073 per share			**(4,147)**	
Bonuses to directors and corporate auditors			**(216)**	
Treasury stock sold – net (3,606 shares)				**61**
Balance, February 28, 2001	**$109,672**	**$119,629**	**$174,156**	**$(17)**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2001 and February 29, 2000

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2001	2000	**2001**
Operating activities:			
Income before income taxes and minority interests	**¥5,316**	¥3,232	**$45,828**
Adjustments for:			
Income taxes – paid	**(1,361)**	(700)	**(11,733)**
Depreciation and amortization	**3,268**	3,035	**28,173**
Provision for doubtful receivables	**181**	59	**1,560**
Loss on devaluation of marketable and investment securities	**94**	327	**810**
Gain on sales of marketable and investment securities	**(106)**	(300)	**(914)**
Loss on sales and disposals of property, plant and equipment	**400**	163	**3,448**
Payments of bonuses to directors and corporate auditors	**(25)**	(25)	**(216)**
Changes in assets and liabilities, net of effects			
Increase in trade receivables	**(2,044)**	(322)	**(17,621)**
Decrease (increase) in inventories	**(2,752)**	1,252	**(23,724)**
Increase in interest and dividend receivable	**(4)**	(6)	**(34)**
Increase in trade payables	**4,598**	1,595	**39,638**
Increase (decrease) in interest payable	**(7)**	9	**(60)**
Other – net	**461**	(151)	**3,974**
Total adjustments	**2,703**	4,936	**23,301**
Net cash provided by operating activities	**8,019**	8,168	**69,129**
Investing activities:			
Purchases of property, plant and equipment	**(6,291)**	(3,487)	**(54,233)**
Proceeds from sales of property, plant and equipment	**285**	123	**2,457**
Purchases of marketable and investment securities	**(3,149)**	(3,199)	**(27,147)**
Proceeds from sales of marketable and investment securities	**2,319**	1,475	**19,991**
Payments for loans receivable	**(53)**	(8)	**(457)**
Collection of loans receivable	**5**	17	**43**
Other – net	**(189)**	(497)	**(1,628)**
Net cash used in investing activities	**(7,073)**	(5,576)	**(60,974)**
Financing activities:			
Decrease in short-term bank loans – net	**(396)**	(1)	**(3,414)**
Proceeds from long-term debt	**15**	1,027	**129**
Repayments of long-term debt	**(268)**	(1,287)	**(2,310)**
Dividends paid to shareholders	**(481)**	(395)	**(4,147)**
Dividends paid to minority shareholder of consolidated subsidiary	**(9)**	(8)	**(78)**
Other – net	**4**	(103)	**36**
Net cash used in financing activities	**(1,135)**	(767)	**(9,784)**
Foreign currency translation adjustments on cash and cash equivalents	**372**	(403)	**3,206**
Net increase in cash and cash equivalents	**183**	1,422	**1,577**
Cash and cash equivalents at beginning of year (Note 2.b)	**8,627**	7,205	**74,371**
Cash and cash equivalents at end of year (Note 2.b)	**¥8,810**	¥8,627	**$75,948**

See notes to consolidated financial statements.

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2001 and February 29, 2000

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.

Effective to a fiscal year commencing after April 1, 1999, consolidated statements of cash flows are required to be prepared under Japanese accounting standards, and those for the years ended February 28, 2001 and February 29, 2000 are presented herein.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated 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 2000 consolidated financial statements to conform to the classifications used in 2001.

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 ¥116 to $1, the approximate rate of exchange at February 28, 2001. 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 Companies

The accompanying consolidated financial statements as of February 28, 2001 include the accounts of the Company and its significant seventeen (fifteen in 2000) subsidiaries.

Effective to a fiscal year commencing after April 1, 1999, the Japanese new accounting standards for consolidation requires the control or influence concept for the consolidation scope of subsidiaries and associated companies. Under the control or influence concept, a company in which the parent company, directly or indirectly, is able to exercise control over operations is fully consolidated, and another company over which the parent company and/or its consolidated subsidiaries have the ability to exercise significant influence is accounted for by the equity method. There was no change in the scope of consolidation and adoption of equity method by the application of the control or influence concept for the Company and its consolidated 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 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 profit resulting from intercompany transactions is eliminated.

Investments in non-consolidated subsidiaries and associated companies 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 Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits and investment trusts in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

The scope of cash equivalents in 2000 was changed from time deposits with an original maturity of one year or less to investment with an original maturity of three months or less to conform with the presentation in 2001.

c. Inventories

Inventories are substantially stated at cost determined by the average method, except for inventories held by certain consolidated subsidiaries, 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 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.

h. Research and Development Costs

Effective to a fiscal year commencing after April 1, 1999, research and development costs are charged to income as incurred in accordance with the new accounting standard for research and development costs.

i. Income Taxes

Until February 29, 2000, no tax effect was recorded except for those recognized in certain consolidated subsidiaries outside of Japan, especially those in the United States, and for those that resulted from the elimination of unrealized profit and the adjustment of allowance for doubtful receivables caused by the offsetting of inter-company receivables and payables.

Effective to a fiscal year commencing after April 1, 1999, the Company and its consolidated subsidiaries adopted the new accounting standard for interperiod allocation of income taxes based on the asset and liability method. The cumulative effect of the application of interperiod tax allocation in prior years in the amount of ¥1,092 million ($9,416 thousand) is included as an adjustment to retained earnings as of March 1, 2000. Such cumulative effect is calculated by applying the income tax rate stipulated by enacted tax laws as of March 1, 2000.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

The effect of this change was to increase deferred tax assets by ¥486 million ($4,190 thousand), to decrease net income by ¥607 million ($5,233 thousand), and to increase retained earnings by ¥486 million ($4,190 thousand).

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 foreign currency translation adjustments 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 56,530,452 shares for 2001 and 56,492,021 shares for 2000.

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 for 2000. Diluted net income per share is not disclosed because it is anti-dilutive for 2001.

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 28, 2001 and February 29, 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Current:			
Marketable equity securities	**¥ 594**	¥ 527	**$ 5,120**
Corporate bonds	**1,058**	457	**9,121**
Trust fund investments and other	**1,740**	1,740	**15,000**
Total	**¥3,392**	¥2,724	**$29,241**
Non-current:			
Equity securities	**¥1,775**	¥1,627	**$15,302**
Total	**¥1,775**	¥1,627	**$15,302**

Carrying amounts and aggregate market values of current and non-current marketable securities included in marketable securities and investment securities at February 28, 2001 and February 29, 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Current:			
Carrying amount	**¥3,382**	¥2,114	**$29,155**
Aggregate market value	**3,296**	2,496	**28,414**
Unrealized gain (loss)	**¥ (86)**	¥ 382	**$ (741)**
Non-current:			
Carrying amount	**¥1,693**	¥1,533	**$14,595**
Aggregate market value	**1,863**	1,678	**16,060**
Unrealized gain	**¥ 170**	¥ 145	**$ 1,465**

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

4. Short-term investments

Short-term investments at February 28, 2001 and February 29, 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Deposits over 3-month period	**¥60**	¥83	**$517**

5. Inventories

Inventories at February 28, 2001 and February 29, 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Merchandise	**¥ 368**	¥ 354	**$ 3,172**
Finished products	**10,321**	8,353	**88,974**
Work in process	**3,538**	3,083	**30,500**
Row materials and supplies	**3,598**	2,509	**31,018**
Total	**¥17,825**	¥14,299	**$153,664**

6. Short-term Bank Loans and Long-term Debt

Short-term bank loans at February 28, 2001 and February 29, 2000 consisted of notes to banks, bank overdrafts and collateralized bank loans. The collateralized bank loans were ¥150 million ($1,293 thousand) and ¥93 million at February 28, 2001 and February 29, 2000, respectirely. The annual interest rates applicable to the short-term bank loans ranged from 2.25% to 7.5% and 0.8125% to 8.5% at February 28, 2001 and February 29, 2000, respectively.

Long-term debt at February 28, 2001 and February 29, 2000 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Loans principally from banks due serially to 2006 with interest rate ranging from 1.14% to 12.0% (2001) and from 1.14% to 7.0% (2000):			
Collateralized	**¥2,398**	¥2,663	**$20,672**
Unsecured	**13**	–	**112**
Total	**2,411**	2,663	**20,784**
Less current portion	**(1,131)**	(268)	**(9,750)**
Long-term debt, less current portion	**¥1,280**	¥2,395	**$11,034**

Annual maturities of long-term debt at February 28, 2001 were as follows:

Year ending the last day of February	Millions of yen	Thousands of U.S. dollars
2002	¥1,131	$ 9,750
2003	1,224	10,551
2004	53	457
2005	3	26
2006	0	0
Total	¥2,411	$20,784

The carrying amounts of assets pledged as collateral for the above collateralized short-term bank loans and long-term debt at February 28, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Receivables	¥ 802	$ 6,914
Inventories	411	3,543
Property, plant and equipment – net of accumulated depreciation	4,963	42,784
Investment securities	163	1,405
Total	¥6,339	$54,646

7. Other Current Liabilities

Liabilities arising from adjustment of difference between the fiscal year end at December 31 of consolidated subsidiaries outside of Japan and the fiscal year end of the Company, which included in other current liabilities were ¥2,717 million ($23,422 thousand) and ¥2,775 million at February 28, 2001 and February 29, 2000, respectively.

8. Retirement and Pension Plans

The net assets of the fund amounted to ¥5,220 million ($45,000 thousand) at February 28, 2001.

Amounts contributed to the retirement and pension plans and charged to income were ¥1,063 million ($9,164 thousand) and ¥385 million for the years ended February 28, 2001 and February 29, 2000, respectively.

9. 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 ¥729 million ($6,284 thousand) at February 28, 2001 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 unapproriated 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 28, 2001, retained earnings recorded on the Company's books were ¥16,282 million ($140,362 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

10. Income Taxes

The Company and its consolidated subsidiaries in Japan are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 41% and 47% for the years ended February 28, 2001 and February 29, 2000, respectively. Consolidated subsidiaries outside of Japan are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at February 28, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
Current:		
Deferred tax assets		
Unrealized profit on inventories	¥1,397	$12,043
Loss on disposal of inventories	185	1,595
Write-down of marketable securities	100	862
Enterprise taxes	97	836
Accrued bonuses	72	621
Allowance for doubtful receivables	11	95
Tax loss carryforwards	21	181
Other	56	483
Less valuation allowance	(43)	(371)
Total deferred tax assets	1,896	16,345
Deferred tax liabilities		
Allowance for doubtful receivables	26	224
Tax – deductible of inventories	36	310
Other	27	233
Total deferred tax liabilities	89	767
Net deferred tax assets	¥1,807	$15,578
Non-Current:		
Deferred tax assets		
Retirement benefits for directors and corporate auditors	¥ 65	$ 560
Depreciation	61	526
Write-down of investment securities	34	293
Other	22	190
Less valuation allowance	(48)	(414)
Total deferred tax assets	134	1,155
Deferred tax liabilities		
Property, plant and equipment	46	397
Other	3	25
Total deferred tax liabilities	49	422
Net deferred tax assets	¥ 85	$ 733

A reconciliation between the normal effective statutory tax rate for the year ended February 28, 2001 and the actual effective tax rate reflected in the accompanying consolidated statement of income was as follows:

Normal effective statutory tax rate	41.2%
Effect of foreign tax rate differences	(4.9)
Other	1.6
Actual effective tax rate	37.9%

The normal effective tax rate reflected in the accompanying consolidated statement of income for the year ended February 29, 2000 differs from the actual effective tax rate, primarily due to the effect of permanently non-deductible expenses and temporary differences in the recognition of asset and liability items for tax and financial reporting purposes.

11. Related Party Transactions

The balances due to or from Citizen Watch Co., Ltd., which owned 15.3% of shares of the Company, non-consolidated subsidiary and associated company at February 28, 2001 and February 29, 2000 and transactions with those for the years then ended were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
(1) Citizen Watch Co., Ltd.			
Transaction:			
Sales	**¥2,049**	¥1,949	**$17,664**
Balance at year-end:			
Trade accounts receivable	**783**	748	**6,750**
(2) Non-consolidated subsidiary			
Transaction:			
Purchases	**689**	451	**5,940**
Balance at year-end:			
Trade accounts payable	**104**	28	**897**
(3) Associated Company			
Transaction:			
Sales	**964**	–	**8,310**
Balance at year-end:			
Trade accounts receivable	**376**	–	**3,241**

12. Research and Development Costs

Research and development costs charged to income were ¥2,446 million ($21,086 thousand) and ¥2,329 million for the years ended February 28, 2001 and February 29, 2000, respectively.

13. Leases

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

Lease payments under financial leases were ¥122 million ($1,052 thousand) and ¥102 million for the years ended February 28, 2001 and February 29, 2000, 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 28, 2001 and February 29, 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Acquisition cost	**¥641**	¥706	**$5,526**
Accumulated depreciation	**384**	348	**3,310**
Net leased property	**¥257**	¥358	**$2,216**

Pro forma depreciation expense computed by the straight-line method is ¥122 million ($1,052 thousand) and ¥102 million for the years ended February 28, 2001 and February 29, 2000, respectively.

Obligations under financial leases at February 28, 2001 and February 29, 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Due within one year	**¥ 94**	¥121	**$ 810**
Due after one year	**163**	237	**1,406**
Total	**¥257**	¥358	**$2,216**

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 non-cancelable operating leases at February 28, 2001 and February 29, 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Due within one year	**¥105**	¥135	**$ 905**
Due after one year	**532**	608	**4,586**
Total	**¥637**	¥743	**$5,491**

14. Other Income (Expenses) – Other – net

Other income (expenses) – other – net consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	**2001**
Loss on devaluation of marketable and investment securities	**¥(94)**	¥(327)	**$ (810)**
Gain on sales of marketable and investment securities	**106**	300	**914**
Loss on disposal of assets from a discontinued business	**–**	(158)	**–**
Other	**171**	8	**1,474**
Other – net	**¥183**	¥(177)	**$1,578**

15. Derivatives

The Company and its consolidated subsidiaries enter into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, currency swaps and currency options, to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. The Company and its consolidated subsidiaries do not hold or issue derivatives for trading purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Company and its consolidated subsidiaries do not anticipate any losses arising from credit risk.

The execution of derivatives is controlled by the Company's Financial Department. Each derivative transaction is monthly reported to management, where evaluation and analysis of derivatives are made.

Derivatives contracts outstanding at February 28, 2001 were not material.

16. Contingent Liabilities

As of February 28, 2001, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of bank loans	¥12	$103

17. Segment Information

Information regarding operations in different industry segments, foreign operations and sales to foreign customers of the Company and its consolidated subsidiaries for the years ended February 28, 2001 and February 29, 2000 were as follows:

(1) Operations in Different Industries

	Millions of yen				
2001	Precision Electronic Equipment	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers	**¥28,477**	**¥19,410**	**¥4,417**		**¥52,304**
Intersegment sales					
Total sales	**28,477**	**19,410**	**4,417**		**52,304**
Operating expenses	**24,062**	**16,058**	**3,586**	**¥ 2,246**	**45,952**
Operating income	**¥ 4,415**	**¥ 3,352**	**¥ 831**	**¥(2,246)**	**¥ 6,352**
Assets	**¥37,750**	**¥16,099**	**¥5,989**	**¥12,373**	**¥72,211**
Depreciation and amortization	**1,978**	**443**	**532**	**242**	**3,195**
Capital expenditures	**3,786**	**1,578**	**796**	**221**	**6,381**

2000	Precision Electronic Equipment	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
	Millions of yen				
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 and amortization	1,888	282	555	98	2,823
Capital expenditures	2,462	255	314	16	3,047

2001	Precision Electronic Equipment	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
	Thousands of U.S. Dollars				
Sales to customers	**$245,491**	**$167,328**	**$38,078**		**$450,897**
Intersegment sales					
Total sales	**245,491**	**167,328**	**38,078**		**450,897**
Operating expenses	**207,431**	**138,431**	**30,914**	**$ 19,362**	**396,138**
Operating income	**$ 38,060**	**$ 28,897**	**$ 7,164**	**$(19,362)**	**$ 54,759**
Assets	**$325,431**	**$138,784**	**$51,629**	**$106,665**	**$622,509**
Depreciation and amortization	**17,052**	**3,819**	**4,586**	**2,086**	**27,543**
Capital expenditures	**32,638**	**13,603**	**6,862**	**1,906**	**55,009**

*The segments consist of the following products:
Precision Electronic Equipment: Electronic buzzers, Microphones, Speakers, Receivers, Computer printers, POS printers, Visual cards, Reader/Writer etc.
Machine Tools: CNC automatic lathes etc.
Precision Products: Wristwatch parts, Optical connector parts, Automotive parts, Medical 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 ¥2,246 million ($19,362 thousand) and ¥2,052 million for the years ended February 28, 2001 and February 29, 2000, 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 ¥12,483 million ($107,612 thousand) and ¥16,361 million at February 28, 2001 and February 29, 2000, respectively.

(2) Foreign Operations

2001	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
	Millions of yen					
Sales:						
Outside customers	**¥26,709**	**¥6,700**	**¥9,370**	**¥ 9,525**		**¥52,304**
Inter-area transfers	**28,612**	**195**	**11**	**14,577**	**¥(43,395)**	
Total	**55,321**	**6,895**	**9,381**	**24,102**	**(43,395)**	**52,304**
Operating expenses	**46,816**	**6,508**	**8,780**	**23,243**	**(39,395)**	**45,952**
Operating income	**¥ 8,505**	**¥ 387**	**¥ 601**	**¥ 859**	**¥ (4,000)**	**¥ 6,352**
Assets	**¥56,424**	**¥5,207**	**¥5,639**	**¥20,236**	**¥(15,295)**	**¥72,211**

2000	Millions of yen 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

2001	Thousands of U.S. Dollars Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Outside customers	**$230,250**	**$57,759**	**$80,776**	**$ 82,112**		**$450,897**
Inter-area transfers	**246,655**	**1,681**	**95**	**125,664**	**$(374,095)**	
Total	**476,905**	**59,440**	**80,871**	**207,776**	**(374,095)**	**450,897**
Operating expenses	**403,586**	**56,104**	**75,690**	**200,371**	**(339,613)**	**396,138**
Operating income	**$ 73,319**	**$ 3,336**	**$ 5,181**	**$ 7,405**	**$ (34,482)**	**$ 54,759**
Assets	**$486,414**	**$44,888**	**$48,612**	**$174,448**	**$(131,853)**	**$622,509**

*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 ¥2,246 million ($19,362 thousand) and ¥2,052 million for the years ended February 28, 2001 and February 29, 2000, 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 ¥12,483 million ($107,612 thousand) and ¥16,361 million at February 28, 2001 and February 29, 2000, respectively.

(3) Sales to Foreign Customers

	Millions of yen 2001	Millions of yen 2000	Thousands of U.S. dollars 2001
Europe	**¥10,952**	¥12,577	**$ 94,414**
North America	**11,729**	10,867	**101,112**
Asia	**16,736**	9,651	**144,276**
Total	**¥39,417**	¥33,095	**$339,802**

*The segments consist of the following countries:
Europe: United Kingdom, Germany, Switzerland, Finland, Hungary, etc.
North America: United States of America, Mexico, etc.
Asia: China, Republic of Korea, Taiwan, Singapore, Australia, etc.

18. Subsequent Event

The following appropriations of retained earnings at February 28, 2001 were approved at the Company's shareholders meeting held on May 24, 2001:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥5 ($0.043) per share	¥283	$2,440
Bonuses to directors and corporate auditors	30	259

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 28, 2001 and February 29, 2000, 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 28, 2001 and February 29, 2000, 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.

As described in Note 2, effective to a fiscal year commencing after April 1, 1999, the consolidated financial statements have been prepared in accordance with new accounting standards for consolidated financial statements and interperiod allocation of income taxes.

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. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

May 24, 2001
Tokyo, Japan

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 24, 2001)

INVESTOR INFORMATION

Corporate Name	Star Micronics Co., Ltd.
Head Office	20-10, Nakayoshida, Shizuoka 422-8654 Japan Tel +81-54-263-1111 Fax +81-54-263-1057
Established	July 6, 1950
Common Stock	Authorized 160,000,000 Issued and Outstanding 56,533,234
Paid-in Capital	12,721,939,515 yen
Number of Stockholders	5,810
Stock Listings	1st section of the Tokyo and Nagoya Stock Exchanges Frankfurt Stock Exchange

(as of February 28, 2001)

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
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