A PATHFINDER IN CHANGING TIMES

ANNUAL REPORT 2010 For the year ended February 28, 2010

STAR MICRONICS CO., LTD.

PROFILE

Founded in 1950, Star Micronics Co., Ltd. possesses the strength of developing and manufacturing high added-value products based on its core technologies of small-scale precision processing and assembly, aiming for more than half a century to realize businesses that "generate the greatest impact from the least materials."

Currently, Star Micronics is engaged in four businesses: special products, mainly point-of-sale (POS) printers; components, mainly microphones and speakers; machine tools, mainly CNC automatic lathes; and precision products, mainly wristwatch parts and hard disk drive (HDD) parts. Moreover, overseas sales comprise about 80% of all sales, and overseas production comprises over 50% of all production. Star Micronics is developing its businesses globally in terms of both sales and production.

Going forward, Star Micronics will leverage the strengths it has built up to develop its businesses and maximize its corporate value.

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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

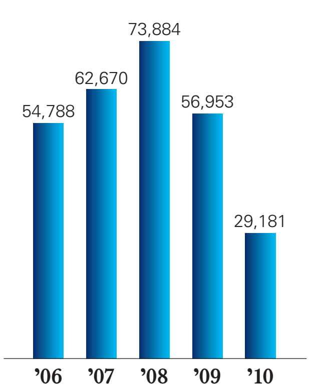
Star Micronics Co., Ltd. and Consolidated Subsidiaries
February 28, 2010 and 2009

	Millions of yen		Change (%)	Thousands of U.S. dollars
	2010	2009	2010/2009	**2010**
For the year:				
Net sales	**¥29,181**	¥56,953	(48.8)%	**$327,876**
Operating (loss) income	**(3,985)**	8,545		**(44,775)**
Net (loss) income	**(8,555)**	4,338		**(96,124)**
Return on sales		7.6%		
Capital expenditures	**1,586**	3,056	(48.1)	**17,820**
Depreciation and amortization	**2,884**	3,325	(13.3)	**32,404**
At year-end:				
Total assets	**50,681**	64,205	(21.1)	**$569,449**
Total equity	**41,261**	52,986	(22.1)	**463,607**
Equity ratio	**80.1%**	81.5%		
	Yen		Change (%)	U.S. dollars
Per share:				
Basic net (loss) income	**¥(187.95)**	¥85.66		**$(2.11)**
Diluted net income		85.63		
Cash dividend applicable to the year	**22.00**	45.00	(51.1)%	**0.25**
Stock information:				
Common shares issued	**51,033,234**	51,033,234		
Number of shareholders	**11,915**	12,480		

Note: The rate of ¥89 to US$1, prevailing on February 28, 2010, has been used for translation into U.S. dollar amounts.

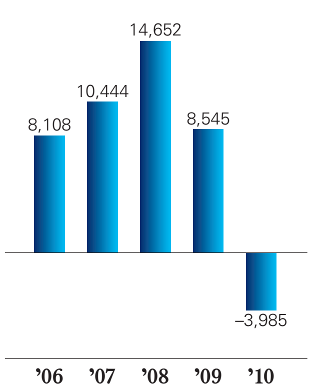
NET SALES

(Millions of yen)



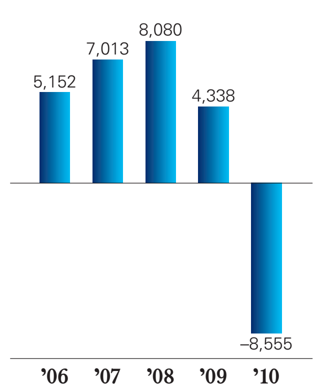
OPERATING (LOSS) INCOME

(Millions of yen)



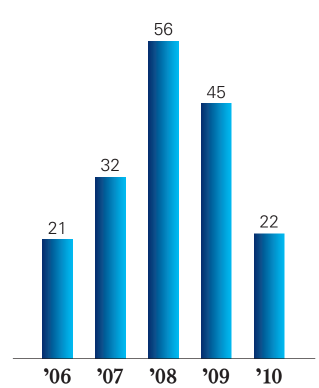
NET (LOSS) INCOME

(Millions of yen)



CASH DIVIDENDS APPLICABLE TO THE YEAR

(Yen)



TO OUR SHAREHOLDERS

HAJIME SATO
President and CEO

REVIEW OF BUSINESS PERFORMANCE

In fiscal 2010, the year ended February 28, 2010, Star Micronics posted severe business results with reduced sales and earnings for the second consecutive year due to the global economic slowdown. Demand dropped significantly in all our major markets mainly due to restrained capital investment and sluggish consumer spending reflecting the financial instability and the deteriorating real economy.

As a result of these factors, Star Micronics reported consolidated sales of ¥29,181 million, a substantial drop of 48.8% year-on-year, in fiscal 2010. As regards profits, we reported an operating loss of ¥3,985 million. The net loss for the year was ¥8,555 million, mainly due to the posting of a loss on impairment of long-lived assets of ¥2,308 million and the cancellation of posting of deferred tax assets of ¥2,858 million.

To compensate our shareholders, Star Micronics decided to pay a full-year dividend of ¥22 per share.

REVIEWING MY FIRST YEAR IN OFFICE

Understanding Market Conditions

Star Micronics reached a milestone this year: the 60th anniversary of its founding. However, fiscal 2010, the fiscal year under review, was our harshest year ever due to worsening worldwide business conditions.

Looking at the markets by region, it seems that the U.S. market needs a little more time to improve, despite expectations of an economic recovery generated by the arrival of the Obama administration. One concern is the unemployment rate: consumer spending comprises more than 70% of the U.S. GDP and therefore I assume that if the employment figures do not improve then consumer spending will also be slow to recover.

As regards Europe, there is no change to last year's forecast that economic recovery in Europe will come later than in the U.S. Furthermore, because a high proportion of Star Micronics' exports are to Europe, we are concerned that the low euro will negatively impact on our business results.

Turning to China, it is here that the market has shown the quickest recovery. However, the current competitive environment in China is extremely tough, since China is the only market that is recovering from the financial crisis. Going forward, I consider that our competitiveness in terms of price will be the issue, because I expect our focus to move from competing with Japanese manufacturers, as we have been until now, to competing with Chinese manufacturers.

Although the economic recoveries in Europe and the U.S. are slow to materialize, I think there will be no significant change to our existing business approaches of preserving earnings in our major markets of Europe and the U.S. and of developing businesses in emerging nations.

Major Initiatives

One management target for fiscal 2010 was to ensure that our financial structure did not deteriorate. In a harsh business environment, we realized that we would be forced to post an operating loss due to the decline in net sales, but we worked rigorously to make sure that our balance sheet remained absolutely undamaged.

To be specific, we acted to reduce inventories by keeping an awareness about cash flows. Initially we aimed to reduce inventories by ¥5.0 billion – an amount that corresponded to our business loss. In the end, however, we successfully reduced inventories by more than this, leaving our balance sheet undamaged. I consider that this represents a certain level of achievement.

Two of our medium-term targets were to expand our business fields and to create a fifth pillar of business. We worked at these targets during fiscal 2010, including through M&As, but were not able to find any good business partners. I am, however, committed to continuing to explore the possibilities of technological tie-ups, including business capital tie-ups.

FISCAL 2011 OUTLOOK AND FUTURE INITIATIVES

It seems that the severe business environment will continue throughout the fiscal year ending February 28, 2011, in the light of the sudden worsening of business conditions until now, which was more severe than we expected, and the slow tempo of the economic recovery. For the fiscal year ending February 28, 2011 outlook, Star Micronics projects net sales of ¥30,100 million, an operating loss of ¥1,000 million and a net loss of ¥1,800 million. Considering the business environment, it is difficult to reasonably expect any substantial recovery in Europe and the U.S. We will therefore work to lower our break-even point by cutting back on fixed expenses, including by reducing personnel in our manufacturing plant in Dalian, China, and by curbing capital investment.

My basic policy for Star Micronics is not to merely expand our net sales but rather to give importance to profitability. We will therefore adopt a cautious approach to regions, products and customers that are associated with low profit margins, and we will focus management resources on those which will enable us to steadily secure earnings. In particular, I believe that consideration of our current situation as regards net sales shows that it is vital for us to select the regions and products where we can emphasize profitability.

From this viewpoint, I would cite China, Southeast Asia and South America as regions on which we should place importance. However, I think the products that we will succeed with will be low-priced with only certain selected functions, because there is a strong trend in these emerging nations for consumers to prioritize prices. Price competitiveness is particularly important in China where we also face competition from local manufacturers. In light of this, I believe it is essential for Star Micronics to strengthen its price competitiveness in China in the case of machine tools by lowering manufacturing costs by increasing the percentage of raw materials that are procured locally from inside China.

To give more detail, I would like now to describe the issues facing each of our business segments together with future strategies.

SPECIAL PRODUCTS

One issue facing this business is our approach to the markets of emerging nations such as China, Southeast Asia and South America. Because price competition is severe in these markets, Star Micronics is developing products targeting these emerging nations and building a corporate structure to rigorously achieve low costs. Based on our solid product lineup and sales routes established worldwide, we will identify and develop new channels in the markets of emerging nations.

Star Micronics is committed to developing high added-value products possessing differentiated functionality, mainly by utilizing software technologies.

COMPONENTS

In this business segment, the important issues are to rebuild product strategies with an emphasis on profitability and to develop new markets. This is because market needs are changing significantly and in the mobile phone market there is an increasingly marked polarization between demand for advanced functionality and demand for low prices. Leveraging its existing technologies, Star Micronics is developing the automobile-component and other markets by shifting from individual parts to composite high added-value products. Because users in the automobile-component market demand extremely rigorous levels of quality, our products do not seem to be succumbing to price competition with those of manufacturers in China and South Korea. Moreover, the number of installed audio products for cars has been increasing compared to the past, and so this will be a priority market going forward.

MACHINE TOOLS

The development of new products is one important issue in this business. In this context, Star Micronics expects to announce in the near future the development of products other than sliding headstock automatic lathes (Swiss-type automatic lathes). The market for conventional sliding headstock automatic lathes has been around ¥100 billion, whereas the market for the new products being developed is in the range of ¥300–400 billion. Consequently, we will enter and develop this new market.

Another issue in this business is our response to the increasing price competitiveness of the Chinese and other Asian markets. Star Micronics plans to launch machines with selected functions and an even better cost performance than our existing low-priced models.

PRECISION PRODUCTS

The important issue in the precision products business is to expand our sales overseas. Although our subsidiaries in Ayutthaya in Thailand and Shanghai in China produced a strong business performance, we will work to reduce costs through further rationalization and to stabilize quality and production.

At the same time, in Japan the precision products business mainly produces wristwatch components, and this is a mature industry. We will therefore transform the business structure to one facilitating low-cost operations.

In the medium and long term, Star Micronics will give greater importance to the three bases of Ayutthaya in Thailand and Shanghai and Dalian in China.

Through the steady implementation of these initiatives in these businesses, Star Micronics aims to return to profitability during the fiscal year ending February 29, 2012.

TOGETHER WITH OUR SHAREHOLDERS AND OTHER INVESTORS

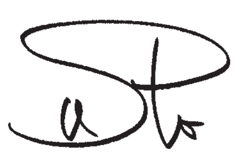
The fundamental management policy of Star Micronics is not to merely pursue expansion of business size, but to develop businesses in growth industries and in global niche markets. We will always position ourselves in growth industries, and carefully observe which industries and sectors are growing and what products are needed. Furthermore, we will steadily implement realistic management, that is, implement effective growth strategies after properly evaluating our management resources.

Star Micronics will maintain the existing soundness of its financial structure, which is the foundation for improving these strategies. In the medium term, we are committed to preserving an equity ratio of at least 80%, and a ratio of net cash to total assets of at least 25%.

As regards the distribution of profits to shareholders, we still believe that the fact that we are a listed stock means we are supported by all our shareholders, and this in turn entails compensating them with dividend payments. Therefore, we are determined to achieve our target of a dividend payout ratio of at least 40% while taking into account our dividend on equity (DOE).

I expect the harsh business environment to continue throughout the fiscal year ending February 28, 2011. Nevertheless, Star Micronics aims to restore its business performance at an early date. I ask for the continued support and understanding of our shareholders and other investors as we work to meet their expectations.

May 2010



Hajime Sato
President and CEO

SHAREHOLDER RETURNS

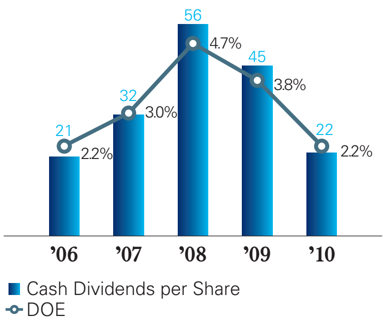
BASIC POLICY

- **The Company emphasizes the return of profits to shareholders, instituting such returns after close consideration of its dividend payout ratio and DOE.**
- **Over the medium term, we aim to raise profitability, preserve growth, and maintain our soundness. This will raise shareholder value and allow us to steadily make sustained returns to shareholders.**

MEDIUM-TERM TARGETS

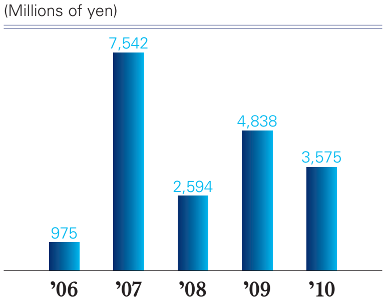
- **Dividend payout ratio : 40% or more**
- **DOE : 3.5% or more**

CASH DIVIDENDS PER SHARE AND DOE
(Yen, %)



FREE CASH FLOWS

(Millions of yen)



BASIC POLICY

The Company emphasizes shareholder returns, and will institute such returns in close consideration of dividend on equity (DOE), targeting a dividend payout ratio of at least 40%.

To the extent that it remains a publicly listed entity, Star Micronics is dedicated to the payment of cash dividends. By considering DOE as a key indicator with respect to shareholder returns, our policy is one that emphasizes a balanced approach to dividend consistency and stability that is not affected only by short-term fluctuations in operating results. Furthermore, we are striving over the medium term to raise both shareholder value and the level of shareholder returns by achieving a recovery in profitability, securing growth potential, and maintaining a sound financial position.

FUTURE SHAREHOLDER RETURNS

In light of the aforementioned basic policy, Star Micronics will pay an annual dividend per share for the fiscal year under review of ¥22.

Furthermore, throughout the fiscal years ended February 2009 and February 2010, the Company acquired approximately 9.6 million shares of treasury stock (of which 3.5 million shares were disposed), worth approximately ¥10,700 million. Previously, the Company had set a total shareholder return ratio of 60% as a medium-term goal, but has since changed this target in light of consolidated business performance. We view the Company's own shares as a resource to spur growth. Therefore, rather than disposing of them we will utilize such shares effectively to enhance corporate value.

FISCAL 2011 OUTLOOK AND FUTURE TARGETS

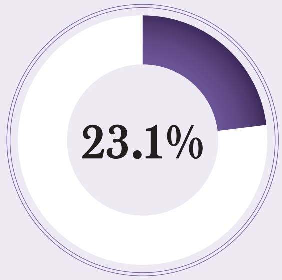
While a severe business climate appears likely for fiscal 2011, we expect to pay an annual dividend of ¥22 per share. As medium-term targets, the goal is to pay a dividend of ¥34 per share, achieve a consolidated dividend payout ratio of more than 40%, and realize DOE of more than 3.5% in fiscal 2013.

BUSINESS REVIEW

SALES BY SEGMENT

NET SALES

SPECIAL PRODUCTS



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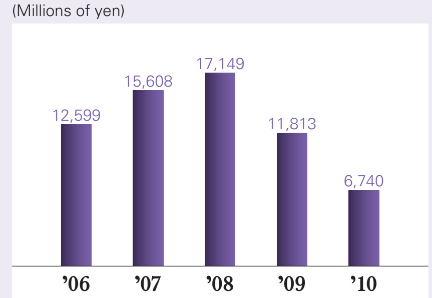
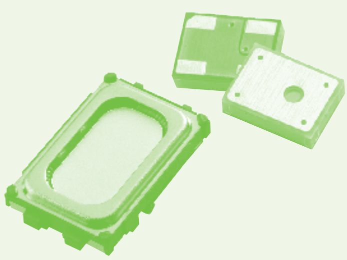
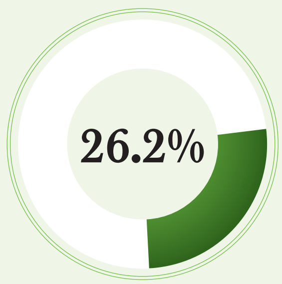


COMPONENTS





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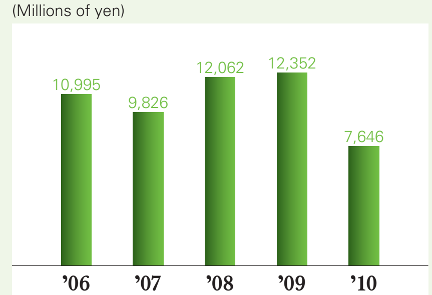
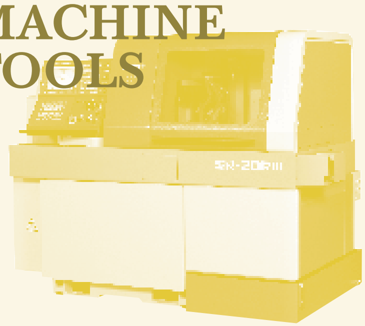
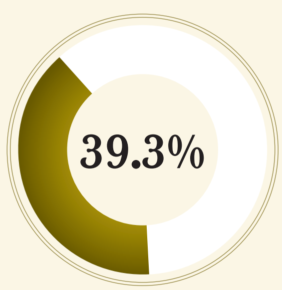
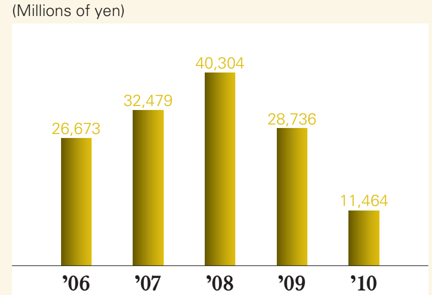


MACHINE TOOLS

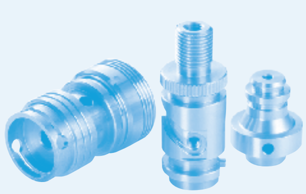


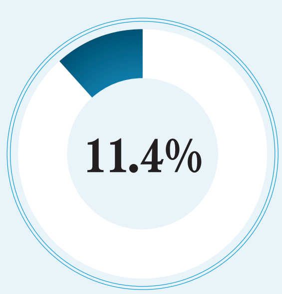


(Millions of yen)

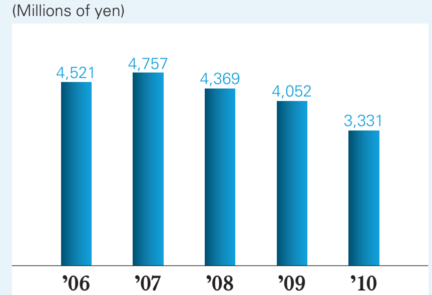


PRECISION PRODUCTS





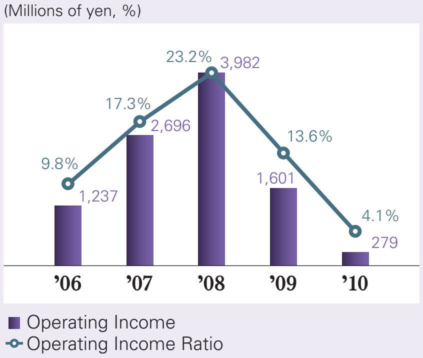
(Millions of yen)



OPERATING (LOSS) INCOME & OPERATING INCOME RATIO

MAIN PRODUCTS & SERVICES

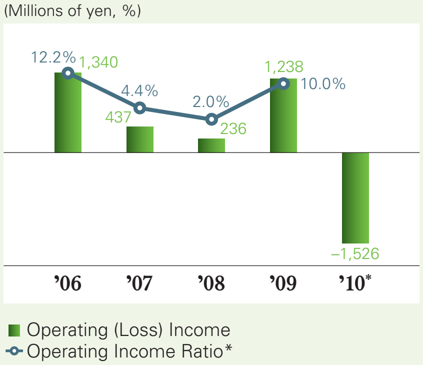
(Millions of yen, %)



Point-of-sale (POS) printers, including models for POS applications in the U.S. and Europe and for lottery ticket terminals for emerging markets.

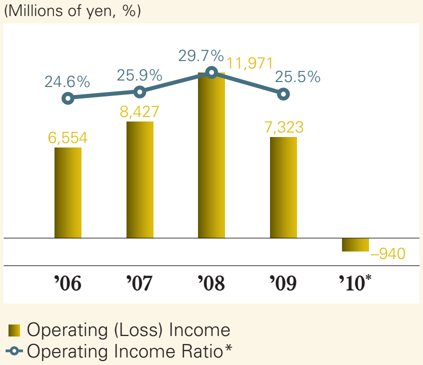
The segment also supplies card reader/writers for shopping point cards and other writable card media.

(Millions of yen, %)



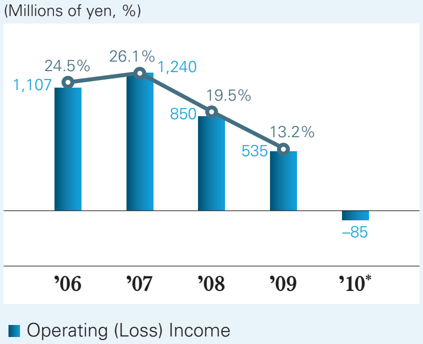
Micro audio components such as microphones, speakers, receivers and electronic buzzers. Also components used in mobile phones, an array of digital devices, vehicle alarms, vehicle navigation systems, and electronic toll collection (ETC) terminals.

(Millions of yen, %)



CNC automatic lathes capable of high-precision, complex geometry machining (high-end, mid-range and single function models and support software for machine tools, etc.) These machine tools are used in the manufacture of components for automobiles, medical components, hard disk drives (HDD) and other devices.

(Millions of yen, %)



Wristwatch components such as crowns and winding stems, medical components including dental implants and bone screws for orthopedic treatments, components for compact HDDs, car audio components and other products.

* Operating income ratio is not calculated for the fiscal year ended February 2010 because all segments except for Special Products recorded a loss.

SPECIAL PRODUCTS

We will move forward with identifying new clients and other efforts in regions where future growth is anticipated.

TSP100 POS printers

The TSP100 offers dependable and fast printing even of complex printing data, thanks to a redesigned method for the control and processing of printing data. The printer also features multifunctional utilities, including 180-degree letter rotation for printing data. The TSP100 has earned a strong market reputation since its launch, and can currently be found in use in department stores, supermarkets, restaurants and a host of other locations worldwide.

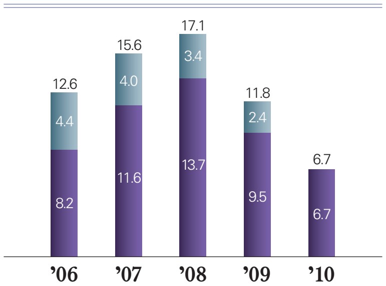
SHIPMENTS OF POS PRINTERS

(Thousands of units)

	2009	2010	Change (%)
Europe	144	**124**	(13.9)
Americas	208	**169**	(18.8)
Asia	109	**77**	(29.4)
Japan and elsewhere	28	**20**	(28.6)
Total	488	**390**	(20.1)

SPECIAL PRODUCTS SEGMENT SALES

(Billions of yen)



Computer Printers*
POS Printers and Others

* The Company withdrew from computer printers in the fiscal year ended February 2009.

BUSINESS ENVIRONMENT AND RESULTS IN FISCAL 2010

In the Special Products Segment, the main products are point-of-sale (POS) printers and card reader/writers.

Backed by a strong product lineup in POS printers developed over the years, we sought to uncover new demand by forming alliances with authorized dealers in every region and conducting meticulous marketing activities. Along with efforts in the European and American markets, we aggressively pursued marketing activities in newly emerging markets as well. The business environment, however, remained a challenging one, largely reflecting a cautious approach to new investment among clients and the impact of the yen's appreciation on currency exchange rates.

By region, signs of a recovery in sales were evident mainly in South America and China. In Europe, adverse conditions remained in place due, as in the previous fiscal year, to weak consumer spending. Turning to Asia, sales in China appeared relatively stable, especially for dot-matrix printers, tracking an increase in retailers, including those in mainland China. In the Americas, demand recovered in line with economic improvement in Brazil and other parts of South America.

As for new products, the Company launched the TUP500, a small kiosk terminal-embedded thermal printer designed to answer needs for a more compact terminal.

Both sales and operating income were significantly lower for the year. Sales fell 42.9%, or ¥5,073 million, to ¥6,740 million (US$75,730 thousand). Operating income declined 82.6%, or ¥1,322 million, to ¥279 million (US$3,135 thousand).

OUTLOOK FOR FISCAL 2011

Forecasts predict a slow recovery in capital investment, most notably in the Company's mainstay POS market. Nevertheless, we plan to increase sales through the launch of new products, and by identifying new clients in China, Southeast Asia, South America and other regions where future growth is anticipated.

For business results, we are projecting segment sales of ¥7,620 million, up 13.1% from the previous fiscal year, and operating income of ¥850 million, an increase of 204.7% year on year.

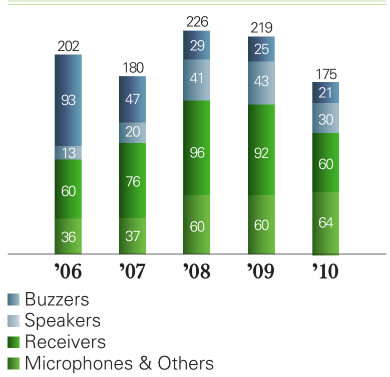
COMPONENTS

Following business restructuring, our pivotal focus has switched from mobile phones to the automobile sector.

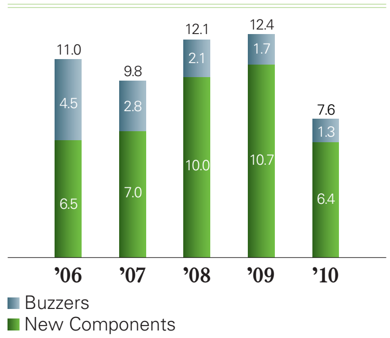
RBB-04 BA Receiver

The RBB-04 is a balanced armature (BA) receiver that is more sensitive than conventional dynamic receivers, resulting in more natural sound reproduction. As a result of this feature, the RBB-04 can be found in applications ranging from hearing aids to premium quality headphones. Star Micronics deals not only in stand-alone BA receivers, but also supplies in-ear headphones on an OEM basis that incorporate this technology.

COMPONENTS SEGMENT SALES BY VOLUME
(Millions of units)



COMPONENTS SEGMENT SALES
(Billions of yen)



BUSINESS ENVIRONMENT AND RESULTS IN FISCAL 2010

In this segment, Star Micronics is involved in the manufacture of a comprehensive range of micro audio components, including microphones, receivers, speakers and electronic buzzers. Users of these products are diversifying beyond mobile phone manufacturers, with components increasingly used in automobile ETC terminals and a variety of digital equipment.

Market needs continue to polarize into two areas—more sophisticated functions versus increasingly low prices. In this climate, we sought during the year to reduce costs, mainly from improved productivity through greater investment rationalization and local component procurement. We also took action to develop new products and identify new clients.

The order environment grew more challenging during the year in the mobile phone market, Star Micronics' core market in this segment. This trend primarily stemmed from more intense cost competition from the rise of rival manufacturers, coupled with pressure from mobile phone manufacturers to lower prices. As a result, sales were lower particularly for receivers and speakers.

Similarly in the automobile sector, sales declined despite a temporary jump in demand for components used in automobile ETC terminals. This increase ultimately had limited impact on sales.

By product, microphones and others achieved strong unit sales of 64 million units, up 6.7% year on year on a unit volume basis, in a severe business environment. Sales of receivers amounted to 60 million units, down 34.8% year on year. Sales of speakers, meanwhile, decreased 30.2% year on year to 30 million units. Similarly, sales of electronic buzzers dropped 16.0% year on year to 21 million units.

From the above factors, sales in the Components segment declined 38.1% year on year, or ¥4,706 million, to ¥7,646 million (US$85,910 thousand). The Company recorded an operating loss of ¥1,526 million (US$17,146 thousand), attributed to lower sales, and booked a loss on impairment of long-lived assets, specifically production equipment, as "Other income (expenses)."

OUTLOOK FOR FISCAL 2011

The competitive environment and other conditions are likely to remain severe in the market for mobile phone components. Given this outlook, the Company will take steps to restructure this business in fiscal 2011, shifting focus from the mobile phone market to components for the automobile market.

Business results are expected to temporarily worsen during the year. Consequently, we are projecting sales of ¥3,840 million, down 49.8% year on year, and an operating loss of ¥750 million.

MACHINE TOOLS

We are striving for a recovery in performance through aggressive marketing activities in China and other parts of Asia together with the launch of new products.

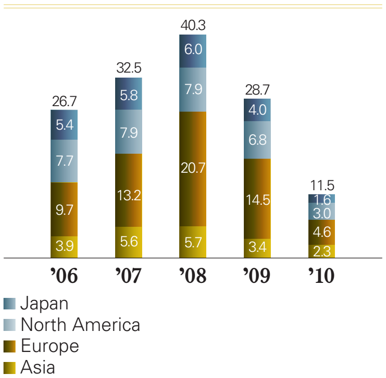
ECAS-20T Swiss-type Automatic Lathe

Developed as a sophisticated machine tool for complex machining, the ECAS-20T has been a market favorite since its release in 2008. The ECAS-20T is equipped with a proprietary control format, called the Star Motion Control System, that helps reduce non-cutting time, as well as a three turret configuration for higher productivity. The ECAS-20T has also been recognized for its superior design, receiving the Japan Machine Tool Builders' Association Prize given for outstanding industrial machinery design.

MACHINE TOOLS SEGMENT SALES VOLUME BY GEOGRAPHICAL REGION
(Units)

	2009	**2010**	Change (%)
Japan	348	**159**	(54.3)
North America	357	**145**	(59.4)
Europe	715	**212**	(70.3)
Asia	474	**364**	(23.2)
Total	1,894	**880**	(53.5)

MACHINE TOOLS SEGMENT SALES BY GEOGRAPHICAL REGION
(Billions of yen)



BUSINESS ENVIRONMENT AND RESULTS IN FISCAL 2010

Star Micronics' CNC automatic lathes have earned worldwide acclaim. Key products are the SV series, ideal for the high-precision complex machining required in the manufacture of medical and other components, the top-of-the-range ECAS series, which incorporates the Star Motion Control System, and the SB series of machine tools entirely made in China that offer superior cost performance.

In CNC automatic lathes, while sales recovered most notably among automotive clients in China and other Asian markets, performance remained subdued in other regions, including in our mainstay market, Europe, as customers continued to curb capital investments.

Looking at sales by geographical region, we conducted marketing activities targeting the medical equipment market in the Americas, which remains relatively robust, and took other steps to increase order volume. Despite these efforts, sales fell sharply in Japan, Asia, Europe and the Americas, with sales volume down a substantial 53.5% year on year, to 880 units.

Following a review of the Company's sales framework, the decision was reached to dissolve Star Micronics AB, a sales subsidiary in Sweden. This decision reflects our judgment that a recovery in market volume sufficient to justify the existence of a sales company in northern Europe appears unlikely.

In this unusually severe business environment, we made drastic cutbacks in production in an attempt to rightsize inventory levels, among other countermeasures. Despite these efforts, sales fell 60.1% year on year, to ¥11,464 million (US$128,809 thousand). Tracking the sharp drop in sales, we posted an operating loss of ¥940 million (US$10,562 thousand).

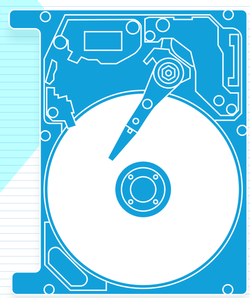
OUTLOOK FOR FISCAL 2011

Recovery in orders from developed countries, the Company's mainstay markets, is expected to remain sluggish as market performance continues to falter. In contrast, order volume is projected to rise in Asia, specifically in China and in Japan, our domestic market. In tandem with vigorous marketing activities in Asia and in emerging markets, we will step up our activities to lift sales by developing models with superior cost competitiveness through further paring down of non-essential functions compared to earlier low-cost models.

In terms of performance, we are projecting sales of ¥15,010 million, up 30.9% from the previous fiscal year, and operating income of ¥410 million.

PRECISION PRODUCTS

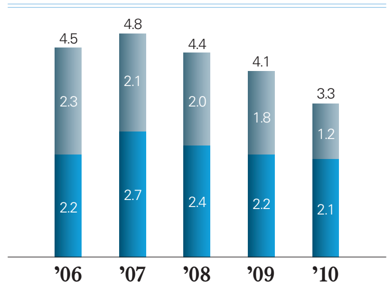
Business performance is set to recover atop increased orders for automotive components and components for laptop PC hard disk drives (HDDs).



Components for compact hard disk drives (HDDs)

Star Micronics supplies components for the HDDs installed in notebook PCs and other devices. Demand for HDDs continues to rise. These components are chiefly produced by our production subsidiary S&K Precision Technologies (Thailand) Co., Ltd. based in Ayutthaya, Thailand. Covering the full range of operations from machining of HDD components to surfacing and precision wash treatment, S&K Precision Technologies meets the expectations of local manufacturers by providing them with a constant supply of the high-quality products that they need.

PRECISION PRODUCTS SEGMENT SALES
(Billions of yen)



Wristwatch Components
Non-wristwatch Components

BUSINESS ENVIRONMENT AND RESULTS IN FISCAL 2010

The products in this segment are divided into two main areas: wristwatch components, a business the Company has been involved in since it was founded, and non-wristwatch precision components (also referred to as non-wristwatch components).

As the market for wristwatch components is mature, with little prospect for high growth over the long term, the segment is striving to increase earnings by strategically focusing on markets for non-wristwatch components. More specifically, Star Micronics is applying its precision processing technology to fields where precision components are difficult to manufacture: hard disk drive (HDD) components, medical components, such as dental drills, implant parts and bone screws for bone-setting, automotive components and optical fiber connector parts.

Sales of wristwatch components declined 30.8% year on year to ¥1,249 million (US$14,034 thousand), as demand failed to recover despite an end to production cutbacks among wristwatch manufacturers in the second half of the year. Regarding non-wristwatch components, while sales of components for car audio equipment produced by our subsidiary in China and of mainstay HDD components eventually recovered, sales ended lower due mainly to declines present at the start of the term. As a result, sales of non-wristwatch components fell 7.3% year on year to ¥2,082 million (US$23,393 thousand). Non-wristwatch components accounted for 62.5% of segment sales.

Following a review of the Company's production framework, domestic production subsidiary Micro Kikugawa Company was dissolved in October 2009.

As a result of the above, segment sales declined 17.8% year on year, or ¥721 million, to ¥3,331 million (US$37,427 thousand). The Company posted an operating loss of ¥85 million (US$955 thousand), largely due to the decline in sales.

OUTLOOK FOR FISCAL 2011

In wristwatch components, sales are expected to decline in step with continued market contraction. Meanwhile, in non-wristwatch components, we anticipate increased sales atop growth in orders for automotive and HDD components.

Consequently, we are projecting segment sales of ¥3,630 million, up 9.0% year on year, and operating income of ¥260 million.

CORPORATE GOVERNANCE

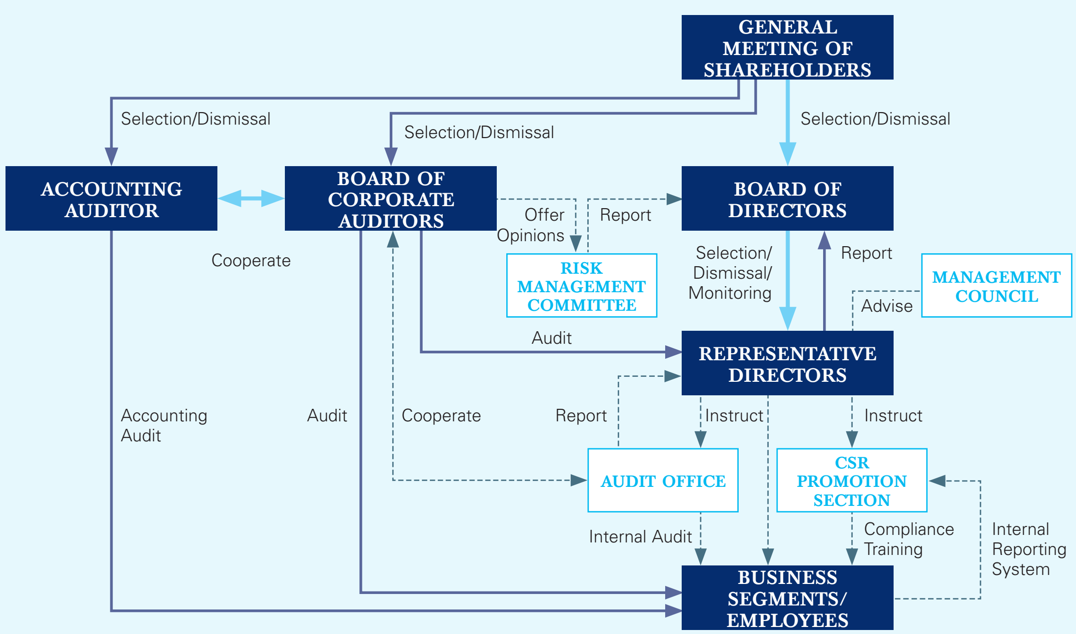
CORPORATE GOVERNANCE INITIATIVES

At Star Micronics, our basic approach to corporate governance is based on fulfilling our responsibilities as a company by working to increase corporate value in a sustained manner through proper and efficient management, and appropriately distributing the resulting profits to shareholders and other stakeholders.

Star Micronics uses the corporate auditor system. Under this system, the Board of Directors is responsible for making rapid and reasoned management decisions and executing strategy in a flexible manner. To ensure proper decision-making and operational execution, we have appointed corporate auditors, including full-time auditors, all of whom are outside appointments. We have also concluded an audit contract with the accounting auditor, Deloitte Touche Tohmatsu LLC. The accounting auditor works with the Board of Corporate Auditors to conduct appropriate audits of the Company.

In order to ensure compliance with all relevant laws and regulations and business ethics, we have established a dedicated internal organization to promote compliance as well as formulated the Star Micronics Charter of Corporate Conduct and a Code of Conduct. In addition, we are taking steps to enhance our internal control system, such as by establishing a Risk Management Committee, to mitigate and respond to risks faced by the Company.

STAR MICRONICS' CORPORATE GOVERNANCE SYSTEM



FINANCIAL SECTION

CONTENTS

CONSOLIDATED ELEVEN-YEAR SUMMARY

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

	2010	2009	2008	2007
For the year:				
Net sales	**¥29,181**	¥56,953	¥73,884	¥62,670
Cost of sales	**22,326**	33,535	42,207	37,004
Selling, general and administrative expenses	**10,840**	14,873	17,025	15,222
Operating (loss) income	**(3,985)**	8,545	14,652	10,444
Other (expenses) income – net	**(2,665)**	(984)	(271)	410
(Loss) income before income taxes and minority interests	**(6,650)**	7,561	14,381	10,854
Income taxes	**1,800**	3,147	6,190	3,719
Minority interests in net income	**105**	76	111	122
Net (loss) income	**(8,555)**	4,338	8,080	7,013
Net cash provided by operating activities	**4,769**	6,152	10,666	10,711
Net cash used in investing activities	**(1,194)**	(1,314)	(8,072)	(3,169)
Free cash flows	**3,575**	4,838	2,594	7,542
Net cash used in financing activities	**(3,977)**	(9,077)	(2,152)	(1,331)
Per share:				
Basic net (loss) income	**¥(187.95)**	¥ 85.66	¥150.74	¥131.09
Diluted net income		85.63	150.47	130.73
Cash dividends applicable to the year	**22.00**	45.00	56.00	32.00
At year-end:				
Current assets	**¥34,346**	¥44,762	¥63,152	¥53,620
Net property, plant and equipment	**11,678**	15,169	17,728	16,355
Total assets	**50,681**	64,205	86,375	76,195
Long-term liabilities	**592**	459	696	920
Total equity	**41,261**	52,986	66,602	61,396
Stock exchange price per share of common stock:				
Highest	**¥1,020**	¥2,175	¥3,740	¥2,710
Lowest	**595**	773	1,506	1,691
Selected financial indicators:				
Equity ratio (%)	**80.1**	81.5	76.2	79.9
ROE (%)		7.3	12.8	12.2
Dividend payout ratio (%)		52.5	37.2	24.4
Dividend on equity (%)	**2.2**	3.8	4.7	3.0

Millions of yen (Except for per share data)						
2006	2005	2004	2003	2002	2001	2000
¥54,788	¥49,690	¥43,332	¥38,612	¥43,265	¥52,304	¥44,914
32,875	30,742	28,161	25,225	27,295	33,863	28,852
13,805	12,605	11,621	10,979	11,907	12,089	11,509
8,108	6,343	3,550	2,408	4,063	6,352	4,553
(68)	(688)	(286)	(980)	(1,911)	(1,036)	(1,321)
8,040	5,655	3,264	1,428	2,152	5,316	3,232
2,799	1,881	828	997	1,557	2,014	511
89	(1)	10	(3)	18	28	19
5,152	3,775	2,426	434	577	3,274	2,702
4,594	6,891	8,024	8,085	(285)	8,019	8,168
(3,619)	(2,016)	(1,582)	(1,606)	(4,429)	(7,073)	(5,576)
975	4,875	6,442	6,479	(4,714)	946	2,592
(866)	(2,149)	(5,265)	(2,218)	1,219	(1,135)	(767)
¥95.60	¥70.13	¥44.12	¥ 7.77	¥10.21	¥57.91	¥47.84
95.38	70.09					47.81
21.00	15.00	11.00	10.00	10.00	10.00	7.00
¥44,615	¥40,170	¥36,355	¥38,424	¥37,979	¥48,053	¥40,119
16,210	14,698	15,604	17,602	19,430	17,626	14,633
66,826	60,013	57,898	62,403	65,394	72,211	62,950
793	349	1,277	2,575	2,227	1,442	2,587
54,295	47,754	44,613	45,024	46,978	46,799	42,932
Yen						
¥2,090	¥1,030	¥830	¥1,120	¥1,704	¥2,120	¥1,917
941	704	418	420	490	1,024	505
81.2	79.6	77.1	72.2	71.8	64.8	68.2
10.1	8.2	5.4	0.9	1.2	7.3	6.5
22.0	21.4	24.9	128.7	97.9	17.3	14.6
2.2	1.7	1.3	1.2	1.2	1.3	0.9

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Years ended February 28, 2010 and 2009

Business Environment

Weakness continued to plague the U.S. and European economies throughout fiscal 2010, the year ended February 28, 2010. This negativity prevailed despite benefits from economic measures taken in every country, as well as signs that the economies have bottomed out and are rebounding. Similarly, while newly emerging economies in Asia, specifically China, and in South America and other regions moved toward recovery, the economic landscape in Europe, the U.S. and Japan remained lackluster. Meanwhile, the yen appreciated further against levels in the previous fiscal year.

Net Sales

(Millions of yen)

2009	**2010**	Change (%)
¥56,953	**¥29,181**	(48.8)

Sales fell sharply in all business segments, primarily reflecting the continuation of a business environment marked by waning capital investment sentiment.

Operating (Loss) Income

(Millions of yen)

2009	**2010**	Change (%)
¥8,545	**¥(3,985)**	–

The Company recorded an operating loss due to lower sales across all business segments.

Net (Loss) Income

(Millions of yen)

2009	**2010**	Change (%)
¥4,338	**¥(8,555)**	–

Lower sales in core businesses, coupled with the posting of a loss on impairment of property, plant and equipment and the cancellation of posting of deferred tax assets, were major factors culminating in a substantial net loss for the term.

Cash Dividend per Share

(Yen)

2009	**2010**	Change (Yen)
¥45	**¥22**	¥(23)

Due to the net loss, the cash dividend applicable to the year declined ¥23 year on year, to ¥22.

Total Assets

(Millions of yen)

2009	**2010**	Change (%)
¥64,205	**¥50,681**	(21.1)

Total assets were lower, largely from inventory reductions due to production cutbacks.

Free Cash Flows

(Millions of yen)

2009	**2010**	Change (%)
¥4,838	**¥3,575**	(26.1)

The extent of the year-on-year decline was contained thanks to inventory reductions and efforts to curb capital investments.

Free cash flows = Operating cash flows + Investing cash flows

Capital Expenditures

(Millions of yen)

2009	**2010**	Change (%)
¥3,056	**¥1,586**	(48.1)

As in the previous term, capital expenditure declined, with the exception of expenditures in the Components segment.

Sales by Region

(Millions of yen)

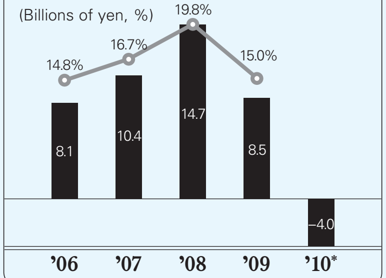
	2009	**2010**	Change (%)
Europe	¥19,056	**¥ 7,357**	(61.4)
North America	11,222	**6,054**	(46.1)
Asia	18,064	**10,333**	(42.8)
Japan	8,611	**5,437**	(36.9)

Sales declined in all regions despite signs of economic recovery in certain regions, namely China and other parts of Asia, and South America.

INCOME ANALYSIS

▶ Operating losses reported on sharp sales declines in core businesses.

OPERATING (LOSS) INCOME AND OPERATING INCOME RATIO
(Billions of yen, %)



■ Operating (Loss) Income
-o- Operating Income Ratio*
* The operating income ratio was not calculated for fiscal 2010 because an operating loss was incurred.

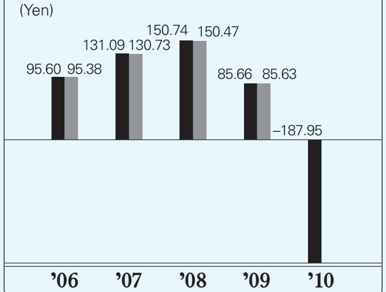
For fiscal 2010, the fiscal year under review, Star Micronics reported consolidated sales of ¥29,181 million (US$327,876 thousand), down 48.8%, or ¥27,772 million, year on year. This outcome reflected severe sales declines in the Components, Machine Tools, Special Products and Precision Products segments largely stemming from an operating environment still marred by diminished capital investment among clients. The cost of sales fell ¥11,209 million, or 33.4%, to ¥22,326 million (US$250,854 thousand). As a result, gross profit decreased ¥16,563 million, or 70.7%, year on year to ¥6,855 million (US$77,022 thousand). The gross profit margin declined 17.6 percentage points to 23.5%. This was due primarily to the high-margin Machine Tools Segment accounting for an 11.2 percentage point lower share of total sales, at 39.3%, a major decrease in sales of receivers and speakers in the Components Segment, and a similar decrease in sales of POS printers in the Special Products Segment.

Selling, general and administrative (SG&A) expenses decreased ¥4,033 million year on year, or 27.1%, to ¥10,840 million (US$121,797 thousand). This decrease owed mainly to lower transportation and packaging costs, and a decline in direct costs, such as advertising and promotional costs, sales commissions, and other items that fell in line with decreased sales.

As a result of the above, the Company recorded an operating loss for the term of ¥3,985 million (US$44,775 thousand).

▶ Other expenses booked due to the impact of a loss on impairment of long-lived assets and other loss items.

NET (LOSS) INCOME PER SHARE
(Yen)



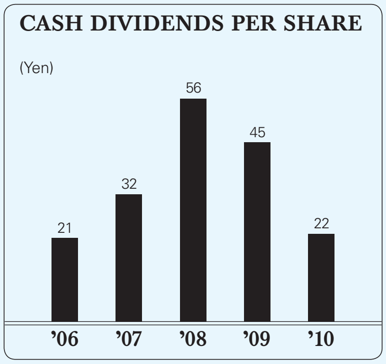
■ Basic Net (Loss) Income
■ Diluted Net Income

Other expenses–net widened to ¥2,665 million (US$29,944 thousand) compared to other expenses–net of ¥984 million in the previous fiscal year. This mostly reflected the fact that interest and dividend income decreased 58.0% year on year, or ¥313 million, to ¥227 million (US$2,551 thousand), as well as a loss on impairment of long-lived assets of ¥2,308 million (US$25,933 thousand), and special severance payments for early retired employees of ¥371 million (US$4,169 thousand). The foreign exchange loss–net deteriorated by ¥176 million, or 109.3%, to ¥337 million (US$3,786 thousand).

As a result, the Company recorded a loss before income taxes and minority interests of ¥6,650 million (US$74,719 thousand). Total income taxes were ¥1,800 million (US$20,225 thousand). The net loss after deducting minority interests was ¥8,555 million (US$96,124 thousand).

The basic net loss per share was ¥187.95 (US$2.11).

▶ Regarding shareholder returns, our medium-term target is a total shareholder return ratio of 40%; dividend on equity (DOE) will be considered in future dividend decisions.

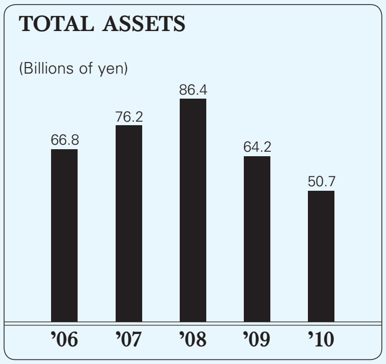


Star Micronics has decided to lower the annual dividend for the year under review by ¥23 to ¥22 (US$0.25) per share. Total dividends decreased ¥1,313 million, or 56.7%, to ¥1,001 million (US$11,247 thousand). For fiscal 2011, the Company plans to pay the same annual dividend of ¥22 per share.

Regarding future dividends, the Company, in emphasizing the return of profits to shareholders, is aiming for a total shareholder return ratio of 40%. Dividend on equity (DOE) will also be considered in setting future dividends. Planned uses for internal reserves will include investment in future growth areas to achieve sustainable growth, with the goal of raising both corporate value and shareholder profits.

FINANCIAL POSITION & LIQUIDITY

▶ Inventory reductions due to production cutbacks resulted in lower total assets.



Total current assets as of February 28, 2010 were ¥34,346 million (US$385,910 thousand), a decrease of ¥10,416 million, or 23.3%, compared with the previous fiscal year-end. This decrease chiefly reflected a decline in inventories of ¥6,470 million, or 41.8%, to ¥9,020 million (US$101,348 thousand), as we strove to reduce inventories through production cutbacks, as well as a drop in short-term investments of ¥425 million, or 29.8%, to ¥1,002 million (US$11,258 thousand), and a decrease in trade notes and accounts receivable of ¥870 million, or 9.0%, to ¥8,847 million (US$99,405 thousand).

Net property, plant and equipment decreased ¥3,491 million, or 23.0%, to ¥11,678 million (US$131,213 thousand). This was mainly because machinery and equipment declined ¥3,226 million, or 11.8%, to ¥24,052 million (US$270,247 thousand), owing to impairment measures targeting production equipment. Total investments and other assets increased ¥383 million, or 9.0%, year on year to ¥4,657 million (US$52,326 thousand). This was due to an increase of ¥602 million in deferred tax assets to ¥682 million (US$7,663 thousand).

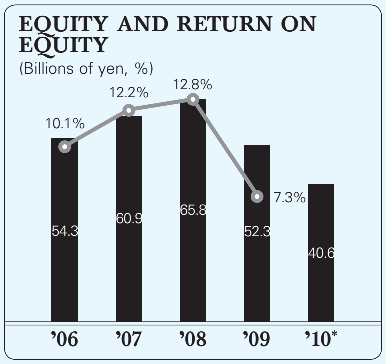
As a result of the above, total assets decreased ¥13,524 million, or 21.1%, year on year to ¥50,681 million (US$569,449 thousand).

▶ Total liabilities declined due to decreased trade notes and accounts payable and accrued expenses as a result of lower sales.

On the other side of the balance sheet, current liabilities decreased ¥1,932 million, or 18.0%, to ¥8,828 million (US$99,191 thousand). This fall reflected a decrease in trade notes and accounts payable of ¥433 million, or 13.3%, to ¥2,816 million (US$31,640 thousand), as well as a decrease in accrued expenses of ¥1,191 million, or 66.9%, to ¥589 million (US$6,618 thousand) as a result of lower sales.

Total long-term liabilities increased ¥133 million, or 29.0%, to ¥592 million (US$6,651 thousand).

▶ **In equity, retained earnings fell as a result of the net loss for the term.**

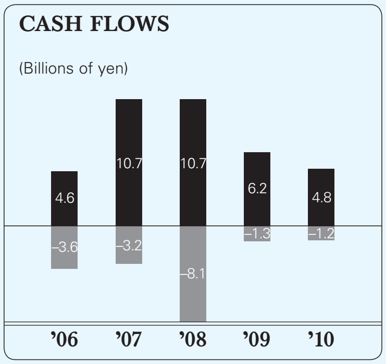


■ Equity
-o- ROE*
* ROE was not calculated for fiscal 2010 because a net loss was incurred.

Equity fell ¥11,722 million, or 22.4%, to ¥40,610 million (US$456,292 thousand). This was largely the result of a decline in retained earnings of ¥9,645 million, or 26.6% year on year, due to the net loss of ¥8,555 million (US$96,124 thousand) posted for the term. Total equity including minority interests was ¥41,261 million (US$463,607 thousand). The equity ratio fell 1.4 percentage points to 80.1%, while equity per share decreased ¥192.66 to ¥921.55 (US$10.35).

CASH FLOWS

▶ **As in the previous term, net cash provided by operating activities exceeded net cash used in investing activities.**



■ Operating Cash Flows
■ Investing Cash Flows

Net cash provided by operating activities decreased ¥1,383 million to ¥4,769 million (US$53,584 thousand). This outcome was largely attributable to a loss before income taxes and minority interests of ¥6,650 million (US$74,719 thousand), reflecting substantially worsened operating results. The Company also recorded a loss on impairment of long-lived assets of ¥2,308 million (US$25,933 thousand). This was partially offset by net cash inflow of ¥7,139 million (US$80,213 thousand), up ¥6,464 million from the previous fiscal year on changes in trade receivables, trade payables, and inventories.

Net cash used in investing activities was ¥1,194 million (US$13,416 thousand), a decrease of ¥120 million year on year. While there were no redemptions of marketable securities as in the previous fiscal year, this chiefly reflected a decrease of ¥1,417 million in cash used for purchases of property, plant and equipment to ¥1,664 million (US$18,697 thousand), due to efforts to curb capital investments, and a decline in purchases of investment securities of ¥1,220 million to ¥5 million (US$56 thousand).

▶ **Cash and cash equivalents declined slightly, reflecting lower dividends paid and other cash outflows under net cash used in financial activities.**

Net cash used in financing activities was ¥3,977 million (US$44,685 thousand), an improvement of ¥5,100 million from the previous fiscal year. This was mainly the result of a decrease of ¥2,024 million in dividends paid to shareholders to ¥1,195 million (US$13,427 thousand), along with a decline of ¥5,078 million in payments for purchase of treasury stock to ¥2,782 million (US$31,258 thousand).

As a result of the above, after foreign currency translation adjustments on cash and cash equivalents of ¥164 million (US$1,843 thousand), cash and cash equivalents as of February 28, 2010 totaled ¥14,373 million (US$161,494 thousand), representing a slight net decrease of ¥238 million year on year.

CAPITAL EXPENDITURES AND R&D EXPENSES

▶ Capital expenditures declined year on year

Capital expenditures in fiscal 2010 totaled ¥1,586 million (US$17,820 thousand). In fiscal 2011, the Company is forecasting capital expenditures of ¥1,458 million. By segment, capital investment in fiscal 2010 and planned for fiscal 2011 is as follows.

Special Products

Expenditures in the Special Products Segment fell ¥173 million to ¥128 million (US$1,438 thousand). In fiscal 2011, the Company is budgeting expenditures in this segment in the amount of ¥169 million, mainly for dies for new models.

Components

Expenditures in the Components Segment rose ¥4 million to ¥572 million (US$6,427 thousand). In fiscal 2011, the Company is budgeting expenditures in this segment in the amount of ¥202 million, mainly for dies for new models.

Machine Tools

In the Machine Tools Segment, expenditures fell ¥619 million year on year to ¥465 million (US$5,225 thousand). In fiscal 2011, we anticipate that ¥594 million will be spent on investments such as equipment for making new products, and other items.

Precision Products

In the Precision Products Segment, expenditures decreased by ¥503 million year on year to ¥268 million (US$3,011 thousand). In fiscal 2011, we expect to spend ¥308 million mainly on machinery and equipment to bolster production capacity.

Eliminations or Corporate

Capital investment in this segment for fiscal 2010 was ¥153 million (US$1,719 thousand) down ¥179 million year on year. In fiscal 2011, we plan to invest ¥185 million for upgrading of information systems, and other items.

▶ R&D expenses remained about on par with the previous year

Research and development (R&D) expenses in fiscal 2010 were ¥1,950 million (US$21,910 thousand), a decrease of ¥105 million from the previous year. This represented 6.7% of total sales. The R&D framework for the whole Group comprises the Corporate Technology Department, which works to comprehensively raise the technology level of all Group companies, and the development departments in each business in charge of the product and technology development directly linked to current products. R&D activities in each segment are as follows.

Corporate Technology Department

This department works to promote technology, mainly by carrying out actual research and technology development, conducting surveys and analysis of technologies and markets, and through quality engineering. The department is also responsible for quality control and patent operations, working to raise the technology level of the whole Company. Future plans call for strengthening partnerships with external companies and development activities aimed at creating new businesses.

Special Products

Product development in this segment is aimed at developing highly competitive products that meet customers needs. The basis for this activity is development and design of products that contribute to lowering the environmental impact while retaining high quality and reliability. A recent achievement in this vein, the TSP100ECO is the first environmentally friendly thermal eco-printer to be developed for the point-of-sale (POS) market. Going forward, we will introduce and make use of new development methods and design tools to develop highly competitive new products.

Components

New product development in this segment has focused mainly on enhancing the quality and functionality of audio device products, and on improving productivity and reducing costs. The segment has also undertaken product development to meet customers' desired specifications. We made use of our basic and analytic technologies for audio products to investigate the optimal way to use them, as well as carrying out surveys and basic research aimed at uncovering new needs.

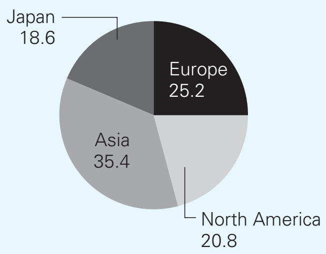
Machine Tools

Development activities in this section aimed to enter markets from the next fiscal year onwards. We worked to develop new products suited to regional market characteristics, while continuing development to improve our existing products and expand our product range at the same time. In addition, we made progress in the development of machine tools other than sliding headstock automatic lathes (Swiss-type automatic lathes), and on the environmental front changed almost all our products except for NC equipment to satisfy the RoHS directives.

SALES FRAMEWORK AND NET SALES BY REGION

NET SALES BY REGION

(%)



A significant proportion of Star Micronics' products are sold in international markets. To provide customer support globally, the Company operates an extensive network of overseas sites. (See table)

	U.K.	Germany	France	Switzerland
Special Products	Star Micronics Europe Ltd.			
Machine Tools	Star Micronics GB Ltd.	Star Micronics GmbH	Star Machine Tool France SAS	Star Micronics AG

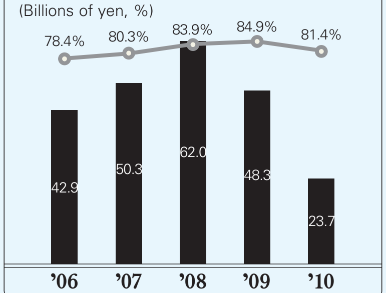
	U.S.	Thailand	Hong Kong	China
Special Products	Star Micronics America, Inc.		Star Micronics Asia Ltd.	
Machine Tools	Star CNC Machine Tool Corporation	Star Micronics (Thailand) Co., Ltd.		Shanghai Xingang Machinery Co., Ltd.

* Star Micronics America, Inc. markets components in addition to special products.
* Sweden-based sales subsidiary Star Micronics AB, currently in liquidation, is excluded from the above table.

▶ Overseas sales as a proportion of total sales fell 3.5 percentage points to 81.4%, with sales lower in all regions.

OVERSEAS SALES AND PROPORTION OF TOTAL SALES

(Billions of yen, %)



■ Overseas Sales
-o- Proportion of Total Sales

In the fiscal year under review, overseas sales as a proportion of total sales decreased 3.5 percentage points to 81.4%.

By region, in Europe, net sales decreased ¥11,699 million to ¥7,357 million (US$82,663 thousand), representing 25.2% of total sales, an 8.3 percentage point decrease from the previous fiscal year.

In North America, net sales fell ¥5,168 million to ¥6,054 million (US$68,023 thousand). The share of total sales in North America rose 1.1 percentage points to 20.8%.

Net sales in Asia decreased ¥7,731 million to ¥10,333 million (US$116,101 thousand). The share of total sales in Asia increased 3.7 percentage points to 35.4%.

In Japan, the main products are machine tools and precision products. Domestic sales decreased ¥3,174 million to ¥5,437 million (US$61,090 thousand), representing 18.6% of total sales, up 3.5 percentage points year on year.

CONSOLIDATED BALANCE SHEETS

Star Micronics Co., Ltd. and Consolidated Subsidiaries
February 28, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2010**	2009	**2010**
Current assets:			
Cash and cash equivalents	**¥ 14,373**	¥ 14,611	**$ 161,494**
Marketable securities (Note 3)		196	
Short-term investments (Note 4)	**1,002**	1,427	**11,258**
Receivables:			
Trade notes and accounts receivable	**8,847**	9,717	**99,405**
Unconsolidated subsidiaries and associated companies	**267**	336	**3,000**
Other	**719**	1,735	**8,079**
Allowance for doubtful receivables	**(444)**	(261)	**(4,989)**
Inventories (Note 5)	**9,020**	15,490	**101,348**
Deferred tax assets (Note 11)	**229**	1,138	**2,573**
Prepaid expenses and other	**333**	373	**3,742**
Total current assets	**34,346**	44,762	**385,910**
Property, plant and equipment (Note 6)**:**			
Land	**2,458**	2,457	**27,618**
Buildings and structures	**12,601**	13,258	**141,584**
Machinery and equipment	**24,052**	27,278	**270,247**
Lease assets	**50**		**562**
Construction in progress	**370**	33	**4,157**
Total	**39,531**	43,026	**444,168**
Accumulated depreciation	**(27,853)**	(27,857)	**(312,955)**
Net property, plant and equipment	**11,678**	15,169	**131,213**
Investments and other assets:			
Investment securities (Note 3)	**2,732**	2,518	**30,697**
Investments in and advances to unconsolidated subsidiaries and associated companies	**166**	166	**1,865**
Goodwill	**10**	123	**112**
Deferred tax assets (Note 11)	**682**	80	**7,663**
Other assets	**1,067**	1,387	**11,989**
Total investments and other assets	**4,657**	4,274	**52,326**
Total	**¥ 50,681**	¥ 64,205	**$ 569,449**

See notes to consolidated financial statements.

Liabilities and equity	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Current liabilities:			
Payables:			
Trade notes and accounts payable	**¥ 2,816**	¥ 3,249	**$ 31,640**
Other	**1,207**	1,572	**13,562**
Short-term bank loans (Note 7)	**2,000**	2,000	**22,472**
Current portion of long-term debt (Note 7)	**11**		**124**
Income taxes payable (Note 11)	**226**	500	**2,539**
Accrued expenses	**589**	1,780	**6,618**
Deferred tax liabilities (Note 11)	**1,311**	101	**14,730**
Other	**668**	1,558	**7,506**
Total current liabilities	**8,828**	10,760	**99,191**
Long-term liabilities:			
Long-term debt (Note 7)	**42**		**472**
Liability for retirement benefits (Note 8)	**43**	38	**483**
Deferred tax liabilities (Note 11)	**257**	120	**2,887**
Other	**250**	301	**2,809**
Total long-term liabilities	**592**	459	**6,651**
Contingent liabilities (Notes 14 and 16)			
Equity (Notes 9,10 and 19):			
Common stock, – authorized, 158,000,000 shares;			
issued, 51,033,234 shares in 2010 and 2009	**12,722**	12,722	**142,944**
Capital surplus	**13,876**	13,876	**155,910**
Retained earnings	**26,587**	36,232	**298,730**
Unrealized gain (loss) on available-for-sale securities	**62**	(59)	**697**
Foreign currency translation adjustments	**(5,601)**	(6,185)	**(62,933)**
Treasury stock – at cost			
6,965,942 shares in 2010 and 4,065,150 shares in 2009	**(7,036)**	(4,254)	**(79,056)**
Total	**40,610**	52,332	**456,292**
Minority interests	**651**	654	**7,315**
Total equity	**41,261**	52,986	**463,607**
Total	**¥50,681**	¥64,205	**$569,449**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Net sales	**¥29,181**	¥56,953	**$327,876**
Cost of sales (Note 8)	**22,326**	33,535	**250,854**
Gross profit	**6,855**	23,418	**77,022**
Selling, general and administrative expenses (Notes 8 and 12)	**10,840**	14,873	**121,797**
Operating (loss) income	**(3,985)**	8,545	**(44,775)**
Other income (expenses):			
Interest and dividend income	**227**	540	**2,551**
Interest expense	**(16)**	(20)	**(180)**
Foreign exchange loss – net	**(337)**	(161)	**(3,786)**
Grant income	**106**		**1,191**
Gain on sales of property, plant and equipment	**47**	24	**528**
Loss on disposals of property, plant and equipment	**(134)**	(409)	**(1,506)**
Loss on write-downs of investment securities		(344)	
Loss on impairment of long-lived assets (Note 6)	**(2,308)**	(242)	**(25,933)**
Loss on cancellation of transfer-of-asset agreement (Note 13)		(527)	
Special severance payments for early retired employees	**(371)**		**(4,169)**
Other – net	**121**	155	**1,360**
Other expenses – net	**(2,665)**	(984)	**(29,944)**
(Loss) income before income taxes and minority interests	**(6,650)**	7,561	**(74,719)**
Income taxes (Note 11)**:**			
Current	**289**	2,210	**3,247**
Prior		240	
Deferred	**1,511**	697	**16,978**
Total	**1,800**	3,147	**20,225**
(Loss) income before minority interests	**(8,450)**	4,414	**(94,944)**
Minority interests in net income	**105**	76	**1,180**
Net (loss) income	**¥ (8,555)**	¥ 4,338	**$ (96,124)**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Notes 2.p, 9 and 17)**:**			
Basic net (loss) income	**¥(187.95)**	¥85.66	**$(2.11)**
Diluted net income		85.63	
Cash dividends applicable to the year	**22.00**	45.00	**0.25**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2010 and 2009

	Thousands	Millions of yen								
	Outstanding number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock – at cost	Total	Minority interests	Total equity
Balance, February 29, 2008	53,636	¥12,722	¥13,962	¥39,327	¥ 390	¥ 159	¥ (717)	¥65,843	¥ 759	¥66,602
Net income				4,338				4,338		4,338
Cash dividends, ¥45.0 per share				(3,219)				(3,219)		(3,219)
Net decrease in unrealized gain on available-for-sale securities					(449)			(449)		(449)
Net decrease in foreign currency translation adjustments						(6,344)		(6,344)		(6,344)
Purchase of treasury stock	(6,691)						(7,860)	(7,860)		(7,860)
Disposal of treasury stock	23		5				18	23		23
Retirement of treasury stock			(91)	(4,214)			4,305			
Net change in the year									(105)	(105)
Balance, February 28, 2009	46,968	¥12,722	¥13,876	¥36,232	¥ (59)	¥(6,185)	¥(4,254)	¥52,332	¥ 654	¥52,986
Adjustment of retained earnings due to adoption of PITF No. 18 (Note 2.b)				**131**				**131**		**131**
Net loss				**(8,555)**				**(8,555)**		**(8,555)**
Cash dividends, ¥22.0 per share				**(1,221)**				**(1,221)**		**(1,221)**
Net increase in unrealized gain on available-for-sale securities					**121**			**121**		**121**
Net increase in foreign currency translation adjustments						**584**		**584**		**584**
Purchase of treasury stock	**(2,901)**						**(2,782)**	**(2,782)**		**(2,782)**
Net change in the year									**(3)**	**(3)**
Balance, February 28, 2010	**44,067**	**¥12,722**	**¥13,876**	**¥26,587**	**¥ 62**	**¥(5,601)**	**¥(7,036)**	**¥40,610**	**¥ 651**	**¥41,261**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Unrealized gain (loss) on available-for-sale securities	Foreign currency translation adjustments	Treasury stock – at cost	Total	Minority interests	Total equity
Balance, February 28, 2009	$142,944	$155,910	$407,101	$ (663)	$(69,494)	$(47,798)	$588,000	$7,348	$595,348
Adjustment of retained earnings due to adoption of PITF No. 18 (Note 2.b)			**1,472**				**1,472**		**1,472**
Net loss			**(96,124)**				**(96,124)**		**(96,124)**
Cash dividends, $0.25 per share			**(13,719)**				**(13,719)**		**(13,719)**
Net increase in unrealized gain on available-for-sale securities				**1,360**			**1,360**		**1,360**
Net increase in foreign currency translation adjustments					**6,561**		**6,561**		**6,561**
Purchase of treasury stock						**(31,258)**	**(31,258)**		**(31,258)**
Net change in the year								**(33)**	**(33)**
Balance, February 28, 2010	**$142,944**	**$155,910**	**$298,730**	**$ 697**	**$(62,933)**	**$(79,056)**	**$456,292**	**$7,315**	**$463,607**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Operating activities:			
(Loss) income before income taxes and minority interests	**¥ (6,650)**	¥ 7,561	**$ (74,719)**
Adjustments for:			
Income taxes – paid	**(706)**	(4,803)	**(7,933)**
Depreciation and amortization	**2,884**	3,325	**32,404**
Loss on impairment of long-lived assets	**2,308**	242	**25,933**
Loss on cancellation of transfer-of-asset agreement		527	
Provision for doubtful receivables	**190**	35	**2,135**
Provision for retirement benefits	**5**	8	**56**
Loss on sales and disposals of property, plant and equipment	**87**	385	**978**
Changes in assets and liabilities:			
Decrease in trade receivables	**1,351**	5,554	**15,180**
Decrease (increase) in inventories	**6,620**	(2,431)	**74,382**
Decrease in trade payables	**(832)**	(2,448)	**(9,349)**
Other – net	**(488)**	(1,803)	**(5,483)**
Total adjustments	**11,419**	(1,409)	**128,303**
Net cash provided by operating activities	**4,769**	6,152	**53,584**
Investing activities:			
Purchases of property, plant and equipment	**(1,664)**	(3,081)	**(18,697)**
Proceeds from sales of property, plant and equipment	**68**	113	**764**
Decrease of short-term investments		2,196	
Purchases of investment securities	**(5)**	(1,225)	**(56)**
Proceeds from sales of investment securities	**202**	997	**2,270**
Other – net	**205**	(314)	**2,303**
Net cash used in investing activities	**(1,194)**	(1,314)	**(13,416)**
Financing activities:			
Increase in short-term bank loans		2,000	
Dividends paid to shareholders	**(1,195)**	(3,219)	**(13,427)**
Dividends paid to minority shareholder of consolidated subsidiaries		(21)	
Payments for purchase of treasury stock	**(2,782)**	(7,860)	**(31,258)**
Disposal of treasury stock		23	
Net cash used in financing activities	**(3,977)**	(9,077)	**(44,685)**
Foreign currency translation adjustments on cash and cash equivalents	**164**	(2,974)	**1,843**
Net decrease of cash and cash equivalents	**(238)**	(7,213)	**(2,674)**
Cash and cash equivalents at beginning of year	**14,611**	21,824	**164,168**
Cash and cash equivalents at end of year	**¥14,373**	¥14,611	**$161,494**

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Years ended February 28, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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.

In addition, certain reclassifications have been made in the 2009 consolidated financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Star Micronics Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥89 to $1, the approximate rate of exchange at February 28, 2010. Such translation should not be construed as representation 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

The consolidated financial statements as of February 28, 2010 include the accounts of the Company and its 18 significant (21 in 2009) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in the unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The fiscal periods of consolidated subsidiaries in Japan end at the end of February, and those of consolidated subsidiaries outside of Japan end on December 31. In preparing the consolidated financial statements, financial statements as of December 31 are used as to foreign consolidated subsidiaries. However, necessary adjustments are made in the consolidation process concerning significant transactions that occurred for the period from January 1 to the end of February.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Group applied this accounting standard effective March 1, 2009. The effect of this change was to increase operating loss by ¥17 million ($191 thousand) and loss before income taxes and minority interests by ¥192 million ($2,157 thousand). In addition, the Group adjusted the beginning balance of retained earnings at March 1, 2009 as if this accounting standard had been retrospectively applied.

c. 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, certificates 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.

d. Inventories

Inventories are stated at the lower of the cost (substantially determined by the average method for the Company and its consolidated subsidiaries in Japan, and by the first-in, first-out method for the consolidated subsidiaries outside Japan) or the net selling value.

Prior to February 28, 2009, inventories were substantially stated at cost determined by the average method, except for the inventories held by certain consolidated subsidiaries generally stated at the lower of cost or market. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after March 1, 2009 with early adoption permitted.

The Group applied this new accounting standard for measurement of inventories effective March 1, 2009. There was insignificant impact on the financial statements as a result of this adoption.

e. Marketable and Investment Securities

All investment securities are classified available-for-sale securities.

Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

f. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries in Japan is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to substantially all of the consolidated subsidiaries outside of Japan.

The range of useful lives is principally from 15 to 47 years for buildings and structures and from 2 to 15 years for machinery and equipment. The useful lives for lease assets are the terms of the respective leases.

g. Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Retirement and Pension Plans

The Company has a non-contributory funded pension plan covering substantially all of its employees. To provide for the payment of retirement benefits and pension plan payment to employees, the Company recorded a reserve equivalent to the amounts recognized as necessary at the end of the period under review based on the projected retirement benefits obligation and the fair value of the pension plan assets at the fiscal year-end.

Actuarial gain and loss is amortized in the years following the year in which the gain or loss is recognized by the straight-line method within a specific period (14 years), which falls within the average remaining years of service of the eligible employees. Unrecognized prior service cost is amortized in the years in which the gain or loss is recognized by the straight-line method within a specific period (14 years), which falls within the average remaining years of service of the eligible employees. Domestic consolidated subsidiaries have lump-sum retirement benefit plans, and certain foreign consolidated subsidiaries have lump-sum retirement benefit plans or defined contribution pension plans.

i. Bonuses to Directors and Corporate Auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

j. Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective March 1, 2009. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. There was no impact on the financial statements as a result of this adoption.

All other leases are accounted for as operating leases.

k. Research and Development Costs

Research and development costs are charged to income as incurred.

l. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

n. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

o. Derivatives

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of operations.

The foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains/losses are recognized in the consolidated statements of operations.

p. Per Share Information

Basic net income (loss) per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised. Diluted net income per share of common stock assumes full conversion of the outstanding stock acquisition rights at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense and net of tax. Diluted net income per share was not disclosed due to the loss position for the year ended February 28, 2010.

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

q. New Accounting Pronouncements

Business Combinations

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires companies to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
(2) The current accounting standard requires research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made.

Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at February 28, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Current:			
Corporate and other bonds		¥196	
Total		¥196	
Non-current:			
Equity securities	**¥1,573**	¥1,452	**$17,674**
Corporate and other bonds	**1,124**	1,037	**12,629**
Trust fund investment and other	**35**	29	**394**
Total	**¥2,732**	¥2,518	**$30,697**

Information regarding the category of securities classified as available-for-sale at February 28, 2010 and 2009 was as follows:

	Millions of yen			
2010	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	**¥1,396**	**¥242**	**¥197**	**¥1,441**
Corporate and other bonds	**1,123**	**12**	**11**	**1,124**
Trust fund investments and other	**29**	**6**		**35**

	Millions of yen			
2009	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	¥1,391	¥65	¥138	¥1,318
Corporate and other bonds	1,276	3	46	1,233
Trust fund investments and other	29			29

	Thousand of U.S. dollars (Note 1)			
2010	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	**$15,685**	**$2,719**	**$2,213**	**$16,191**
Corporate and other bonds	**12,618**	**135**	**124**	**12,629**
Trust fund investments and other	**327**	**67**		**394**

Available-for–sale securities whose fair value is not readily determinable as of February 28, 2010 and 2009 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Available-for-sale:			
Equity securities	**¥132**	¥134	**$1,483**
Total	**¥132**	¥134	**$1,483**

Proceeds from sales of available-for-sale securities for the years ended February 28, 2010 and 2009 were ¥202 million ($2,270 thousand) and ¥997 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, for the year ended February 28, 2010 were both ¥0 million ($0 thousand), and for the year ended February 28, 2009 were ¥9 million and ¥3 million, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at February 28, 2010 and 2009, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Due within one year		¥196	
Due after one year through five years		800	
Total		¥996	

4. SHORT-TERM INVESTMENTS

Short-term investments at February 28, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Deposits over 3-month period	**¥1,002**	¥1,427	**$11,258**
Total	**¥1,002**	¥1,427	**$11,258**

5. INVENTORIES

Inventories at February 28, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Merchandise	**¥ 279**	¥ 335	**$ 3,135**
Finished products	**5,605**	11,158	**62,977**
Work in process	**2,057**	2,342	**23,112**
Raw materials and supplies	**1,079**	1,655	**12,124**
Total	**¥9,020**	¥15,490	**$101,348**

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the years ended February 28, 2010 and 2009, and recognized impairment losses of ¥2,308 million ($25,933 thousand) and ¥242 million as other expenses, respectively.

The loss for the year ended February 28, 2010 was for production facilities used by the Components Department due to the downturn in profitability, and the loss for the year ended February 28, 2009 was for certain unutilized assets due to the planned demolition of decrepit facilities.

The recoverable amounts of these assets as of February 28, 2010 were measured at value in use and as a result, they were assessed as zero value. The recoverable amounts of these assets as of February 28, 2009 were measured at their net selling price determined by their carrying value.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at February 28, 2010 and 2009 consisted of bank overdrafts. The annual interest rates applicable for the years ended February 28, 2010 and 2009 were 0.42% and 0.65%, respectively.

Long-term debt at February 28, 2010 consisted of the following:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Lease obligations	**¥53**	**$596**
Less: current portion	**11**	**124**
Long-term debt, less current portion	**¥42**	**$472**

Annual maturities of long-term debt at February 28, 2010 were as follows:

Years ending February 28 or 29	Millions of yen	Thousands of U.S. dollars (Note 1)
2011	**¥11**	**$124**
2012	**11**	**124**
2013	**11**	**124**
2014	**11**	**124**
2015	**9**	**100**
Total	**¥53**	**$596**

8. RETIREMENT AND PENSION PLANS

The Company and certain of its consolidated subsidiaries have severance payment plans for employees. Under the pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments.

The liability for employees' retirement benefits at February 28, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Projected benefit obligation	**¥(7,503)**	¥(7,790)	**$(84,303)**
Fair value of plan assets	**6,772**	6,340	**76,090**
Unrecognized actuarial loss	**1,388**	2,311	**15,595**
Unrecognized past service cost	**(185)**	(205)	**(2,079)**
Net amount recognized	**¥ 472**	¥ 656	**$ 5,303**
Amounts recognized in the balance sheets consist of:			
Prepaid pension expense	**¥ 515**	¥ 694	**$ 5,786**
Liability for retirement benefits	**(43)**	(38)	**(483)**
Net amount recognized	**¥ 472**	¥ 656	**$ 5,303**

The components of net periodic benefit costs for the years ended February 28, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Service cost	**¥ 355**	¥ 392	**$ 3,989**
Interest cost	**155**	155	**1,742**
Expected return on plan assets	**(159)**	(207)	**(1,787)**
Recognized net actuarial loss	**198**	56	**2,225**
Amortization of prior service cost	**(20)**	(20)	**(225)**
Net periodic benefit costs	**¥ 529**	¥ 376	**$ 5,944**

Assumptions used for the years ended February 28, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	**2%**	2%
Expected rate of return on plan assets	**2.5%**	2.5%
Recognition period of actuarial gain/loss	**14 years**	14 years
Amortization period of prior service cost	**14 years**	14 years

9. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below.

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting, if companies meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. STOCK OPTIONS

The stock options outstanding as of February 28, 2010 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003 Stock Option	9 directors 16 employees 13 directors of subsidiaries	146,000 shares	July 1, 2003	¥725	From May 23, 2005 to May 22, 2009
2004 Stock Option	8 directors 18 employees 13 directors of subsidiaries	140,000 shares	July 20, 2004	¥967	From May 28, 2006 to May 27, 2010
2005 Stock Option	8 directors 15 employees 16 directors of subsidiaries	140,000 shares	June 20, 2005	¥1,142	From May 27, 2007 to May 26, 2011

The stock option activity was as follows:

	Shares		
	2003 Stock Option	2004 Stock Option	2005 Stock Option
For the year ended February 28, 2009			
Non-vested			
February 29, 2008 – Outstanding			
Granted			
Canceled			
Vested			
February 28, 2009 – Outstanding			
Vested			
February 29, 2008 – Outstanding	2,000	29,000	84,000
Vested			
Exercised		12,000	8,000
Canceled			
February 28, 2009 – Outstanding	2,000	17,000	76,000
For the year ended February 28, 2010			
Non-vested			
February 28, 2009 – Outstanding			
Granted			
Canceled			
Vested			
February 28, 2010 – Outstanding			

	Shares		
	2003 Stock Option	2004 Stock Option	2005 Stock Option
Vested			
February 28, 2009 – Outstanding	2,000	17,000	76,000
Vested			
Exercised			
Canceled	**2,000**		
February 28, 2010 – Outstanding		**17,000**	**76,000**
Exercise price	¥725	¥967	¥1,142
Average stock price at exercise			

11. 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 rate of approximately 40% for the years ended February 28, 2010 and 2009, 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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Current:			
Deferred tax assets			
Inventories	**¥ 217**	¥ 233	**$ 2,438**
Accrued bonuses	**206**	282	**2,315**
Allowance for doubtful receivables	**114**	34	**1,281**
Unrealized profit on inventories	**17**	723	**191**
Other	**93**	198	**1,045**
Less valuation allowance	**(422)**		**(4,742)**
Total deferred tax assets	**¥ 225**	¥1,470	**$ 2,528**
Deferred tax liabilities			
Undistributed earnings of associated companies	**¥ 1,238**	¥ 275	**$ 13,910**
Tax-deductible inventories losses	**41**	65	**461**
Other	**28**	93	**314**
Total deferred tax liabilities	**¥ 1,307**	¥ 433	**$ 14,685**
Net deferred tax (liabilities) assets	**¥(1,082)**	¥1,037	**$(12,157)**
Non-Current:			
Deferred tax assets			
Tax loss carry forwards	**¥ 2,250**		**$ 25,281**
Impairment loss	**635**		**7,135**
Write-down of investment securities	**240**	¥ 240	**2,697**
Depreciation	**217**	183	**2,438**
Other	**273**	432	**3,067**
Less valuation allowance	**(2,926)**	(539)	**(32,876)**
Total deferred tax assets	**¥ 689**	¥ 316	**$ 7,742**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Deferred tax liabilities			
Prepaid pension expense	**¥ 205**	¥ 276	**$ 2,303**
Property, plant and equipment	**26**	27	**292**
Other	**33**	53	**371**
Total deferred tax liabilities	**¥ 264**	¥ 356	**$ 2,966**
Net deferred tax assets (liabilities)	**¥ 425**	¥ (40)	**$ 4,776**

Effective for the year ended February 28, 2010, the Company changed its dividend policy from foreign consolidated subsidiaries with the revised Corporation Tax Act issued on March 31, 2009.

The effect of this change was to increase both deferred tax liabilities on undistributed earnings of associate companies and income taxes – deferred by ¥961 thousand ($10,798 thousand) for the year ended February 28, 2010.

A reconciliation between the normal effective statutory tax rate for the year ended February 28, 2010 and the actual effective tax rate reflected in the accompanying consolidated statements of operations was as follows:

	2010
Normal effective statutory tax rate	**39.8%**
Valuation allowance	**(42.7)**
Undistributed earnings of associated companies	**(13.2)**
Unrealized profit on inventories	**(7.0)**
Effect of foreign tax rate differences	**(3.8)**
Other	**(0.2)**
Actual effective tax rate	**(27.1)%**

The difference between the normal effective statutory tax rate and the actual effective tax rate of the year ended February 28, 2009 was less than 5% and the explanatory note was omitted.

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,950 million ($21,910 thousand) and ¥2,055 million for the years ended February 28, 2010 and 2009, respectively.

13. LOSS ON CANCELLATION OF TRANSFER-OF-ASSET AGREEMENT

For the year ended February 28, 2009, due to the cancellation of the transfer-of-asset agreement with respect to withdrawal from the computer printer business, the Group recognized a loss of ¥527 million for disposition of the relevant assets, which were supposed to be transferred to a counterparty, and other costs.

14. LEASES

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

Lease payments under financial leases were ¥42 million ($472 thousand) and ¥47 million for the years ended February 28, 2010 and 2009, respectively.

As discussed in Note 2.j, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense, on an "as if capitalized" basis for the years ended February 28, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Acquisition cost	**¥172**	¥239	**$1,933**
Accumulated depreciation	**101**	128	**1,135**
Net leased property	**¥ 71**	¥111	**$ 798**

The pro forma depreciation expense computed by the straight-line method was ¥42 million ($472 thousand) and ¥47 million for the years ended February 28, 2010 and 2009, respectively.

Obligations under financial leases at February 28, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Due within one year	**¥30**	¥ 44	**$337**
Due after one year	**41**	67	**461**
Total	**¥71**	¥111	**$798**

The 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, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Due within one year	**¥ 80**	¥ 68	**$ 899**
Due after one year	**285**	146	**3,202**
Total	**¥365**	¥214	**$4,101**

15. DERIVATIVES

The Group enters into derivative financial instruments ("derivatives"), including foreign currency forward contracts, currency swaps and currency options to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies in the normal course of business.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to those derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

After discussion with the relevant sections, control of derivatives is primarily the responsibility of the Finance Department. Each derivative transaction is periodically reported to management.

Fair Value of Derivative Financial Instruments:

The fair values of the Group's derivative financial instruments at February 28, 2010 and 2009 were as follows:

	Millions of yen					
	2010			2009		
	Contracted amount	Fair value	Unrealized gain/loss	Contracted amount	Fair value	Unrealized gain/loss
Foreign currency forward contracts:						
Receivables:	**¥1,750**	**¥1,712**	**¥ 38**	¥1,767	¥1,860	¥ (93)
Payables:	**951**	**923**	**(28)**	1,729	1,969	240
Total			**¥ 10**			¥147

	Thousands of U.S. dollars (Note 1)		
			2010
	Contracted amount	Fair value	Unrealized gain/loss
Foreign currency forward contracts:			
Receivables:	**$19,663**	**$19,236**	**$ 427**
Payables:	**10,686**	**10,371**	**(315)**
Total			**$ 112**

16. CONTINGENT LIABILITIES

As of February 28, 2010 and 2009, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Guarantees of bank loans		¥14	

17. NET (LOSS) INCOME PER SHARE

Reconciliation of the differences between basic and diluted net (loss) income per share (EPS) for the years ended February 28, 2010 and 2009 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars (Note 1)
	Net (loss) income	Weighted average shares	EPS	
For the year ended February 28, 2010				
Basic EPS				
Net loss attributable to common shareholders	**¥(8,555)**	**45,518**	**¥(187.95)**	**$(2.11)**
Effect of Dilutive Securities				
Stock Acquisition Rights				
Diluted EPS				
Net loss for computation	**¥(8,555)**	**45,518**		
For the year ended February 28, 2009				
Basic EPS				
Net income available to common shareholders	¥ 4,338	50,642	¥85.66	$0.87
Effect of Dilutive Securities				
Stock Acquisition Rights		17		
Diluted EPS				
Net income for computation	¥ 4,338	50,659	¥85.63	$0.87

18. SEGMENT INFORMATION

Information regarding industry segments, geographical segments and sales to foreign customers of the Company and its consolidated subsidiaries for the years ended February 28, 2010 and 2009 was as follows:

(1) Industry Segments

	Millions of yen					
2010	Special Products	Components	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers	**¥6,740**	**¥ 7,646**	**¥11,464**	**¥3,331**		**¥29,181**
Intersegment sales						
Total sales	**6,740**	**7,646**	**11,464**	**3,331**		**29,181**
Operating expenses	**6,461**	**9,172**	**12,404**	**3,416**	**¥ 1,713**	**33,166**
Operating (loss) income	**¥ 279**	**¥(1,526)**	**¥ (940)**	**¥ (85)**	**¥(1,713)**	**¥ (3,985)**
Total assets	**¥7,694**	**¥ 6,558**	**¥25,225**	**¥5,856**	**¥ 5,348**	**¥50,681**
Depreciation and amortization	**248**	**976**	**982**	**507**	**171**	**2,884**
Loss on impairment of long-lived assets		**2,277**		**31**		**2,308**
Capital expenditures	**128**	**572**	**465**	**268**	**153**	**1,586**

	Millions of yen					
2009	Special Products	Components	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers	¥11,813	¥12,352	¥28,736	¥4,052		¥56,953
Intersegment sales						
Total sales	11,813	12,352	28,736	4,052		56,953
Operating expenses	10,212	11,114	21,413	3,517	¥ 2,152	48,408
Operating income	¥ 1,601	¥ 1,238	¥ 7,323	¥ 535	¥ (2,152)	¥ 8,545
Total assets	¥ 9,042	¥ 8,263	¥29,291	¥5,748	¥11,861	¥64,205
Depreciation and amortization	498	1,271	950	491	115	3,325
Loss on impairment of long-lived assets	179				63	242
Capital expenditures	301	568	1,084	771	332	3,056

	Thousands of U.S. dollars (Note 1)					
2010	Special Products	Components	Machine Tools	Precision Products	Eliminations or Corporate	Consolidated
Sales to customers	**$75,730**	**$ 85,910**	**$128,809**	**$37,427**		**$327,876**
Intersegment sales						
Total sales	**75,730**	**85,910**	**128,809**	**37,427**		**327,876**
Operating expenses	**72,595**	**103,056**	**139,371**	**38,382**	**$ 19,247**	**372,651**
Operating (loss) income	**$ 3,135**	**$(17,146)**	**$ (10,562)**	**$ (955)**	**$(19,247)**	**$ (44,775)**
Total assets	**$86,449**	**$ 73,685**	**$283,427**	**$65,798**	**$ 60,090**	**$569,449**
Depreciation and amortization	**2,786**	**10,966**	**11,034**	**5,697**	**1,921**	**32,404**
Loss on impairment of long-lived assets		**25,584**		**349**		**25,933**
Capital expenditures	**1,438**	**6,427**	**5,225**	**3,011**	**1,719**	**17,820**

* The segments sell the following products:
Special Products: Computer printers (only for 2009), POS printers, Visual cards, Readers/Writers, etc.
Components: Electronic buzzers, Microphones, Speakers, Receivers, 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 ¥1,713 million ($19,247 thousand) and ¥2,152 million for the years ended February 28, 2010 and 2009, 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 cash equivalents) and long-term investments (investment securities). The amounts were ¥5,348 million ($60,090 thousand) and ¥11,861 million at February 28, 2010 and 2009, respectively.

(2) Geographical Segments

	Millions of yen					
2010	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Sales to customers	**¥ 9,553**	**¥ 6,853**	**¥6,261**	**¥ 6,514**		**¥29,181**
Inter-area transfers	**10,387**	**16**	**27**	**5,848**	**¥(16,278)**	
Total	**19,940**	**6,869**	**6,288**	**12,362**	**(16,278)**	**29,181**
Operating expenses	**23,429**	**6,570**	**6,432**	**12,057**	**(15,322)**	**33,166**
Operating (loss) income	**¥ (3,489)**	**¥ 299**	**¥ (144)**	**¥ 305**	**¥ (956)**	**¥ (3,985)**
Assets	**¥38,309**	**¥11,517**	**¥7,220**	**¥11,292**	**¥(17,657)**	**¥50,681**

	Millions of yen					
2009	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Sales to customers	¥14,597	¥17,970	¥11,295	¥13,091		¥56,953
Inter-area transfers	24,119	19	15	12,914	¥(37,067)	
Total	38,716	17,989	11,310	26,005	(37,067)	56,953
Operating expenses	34,358	15,368	10,686	24,676	(36,680)	48,408
Operating income	¥ 4,358	¥ 2,621	¥ 624	¥ 1,329	¥ (387)	¥ 8,545
Assets	¥49,026	¥11,839	¥ 7,936	¥13,661	¥(18,257)	¥64,205

	Thousands of U.S. dollars (Note 1)					
2010	Japan	Europe	North America	Asia	Eliminations or Corporate	Consolidated
Sales:						
Sales to customers	**$107,337**	**$ 77,000**	**$70,348**	**$ 73,191**		**$327,876**
Inter-area transfers	**116,708**	**180**	**303**	**65,708**	**$(182,899)**	
Total	**224,045**	**77,180**	**70,651**	**138,899**	**(182,899)**	**327,876**
Operating expenses	**263,247**	**73,820**	**72,269**	**135,472**	**(172,157)**	**372,651**
Operating (loss) income	**$ (39,202)**	**$ 3,360**	**$ (1,618)**	**$ 3,427**	**$ (10,742)**	**$ (44,775)**
Assets	**$430,438**	**$129,404**	**$81,124**	**$126,876**	**$(198,393)**	**$569,449**

* The segments include the following countries:
  Europe: United Kingdom, Germany, France and Switzerland
  North America: United States of America
  Asia: China and Thailand
* Operating expenses in the eliminations or corporate column include general corporate expenses incurred by the Administration Headquarters of the Company. The amounts were ¥1,713 million ($19,247 thousand) and ¥2,152 million for the years ended February 28, 2010 and 2009, 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 cash equivalents) and long-term investments (investment securities). The amounts were ¥5,348 million ($60,090 thousand) and ¥11,861 million at February 28, 2010 and 2009, respectively.

(3) Sales to Foreign Customers

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	**2010**
Europe	**¥ 7,357**	¥19,056	**$ 82,663**
North America	**6,054**	11,222	**68,023**
Asia	**10,333**	18,064	**116,101**
Total	**¥23,744**	¥48,342	**$266,787**

* The segments include 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, Thailand, Australia, etc.

19. SUBSEQUENT EVENT

The following appropriation of retained earnings at February 28, 2010 was to be approved at the Company's shareholders' meeting held on May 27, 2010:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends, ¥11 ($0.124) per share	**¥485**	**$5,449**

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte Touche Tohmatsu LLC
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Star Micronics Co., Ltd. and consolidated subsidiaries(the "company") as of February 28, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Star Micronics Co., Ltd. and consolidated subsidiaries as of February 28, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits 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 11, 2010

STOCK INFORMATION

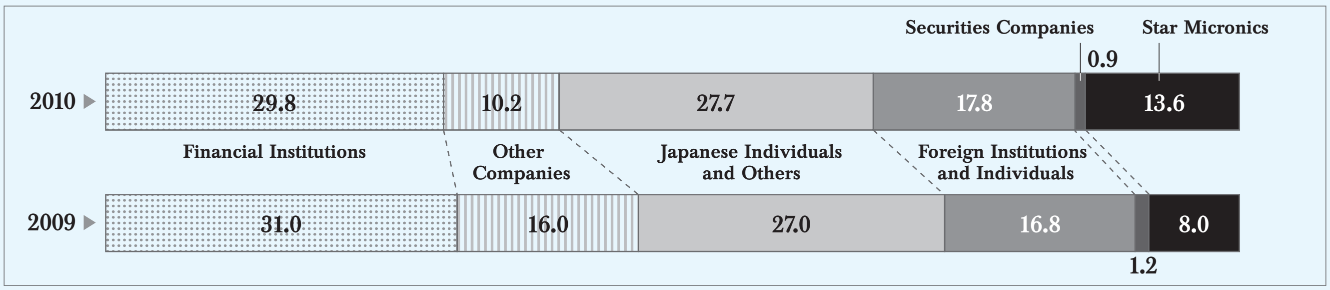
as of February 28, 2010

Common Stock	Authorized	158,000,000
	Issued	51,033,234
Paid-in Capital		12,721,939,515 yen
Number of Shareholders		11,915

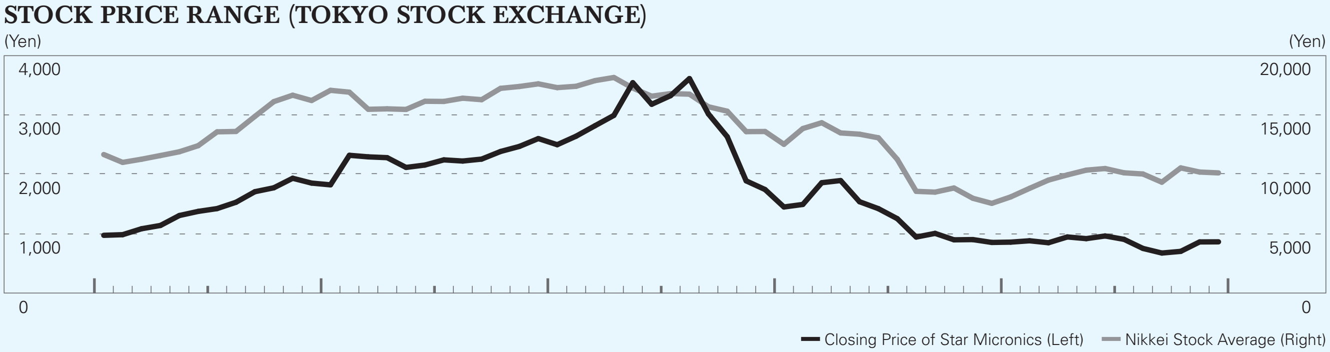
Stock Listing	First Section of the Tokyo Stock Exchange
Transfer Agent	Tokyo Securities Transfer Agent Co., Ltd. 2-6-2 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan

COMPOSITION OF SHAREHOLDERS

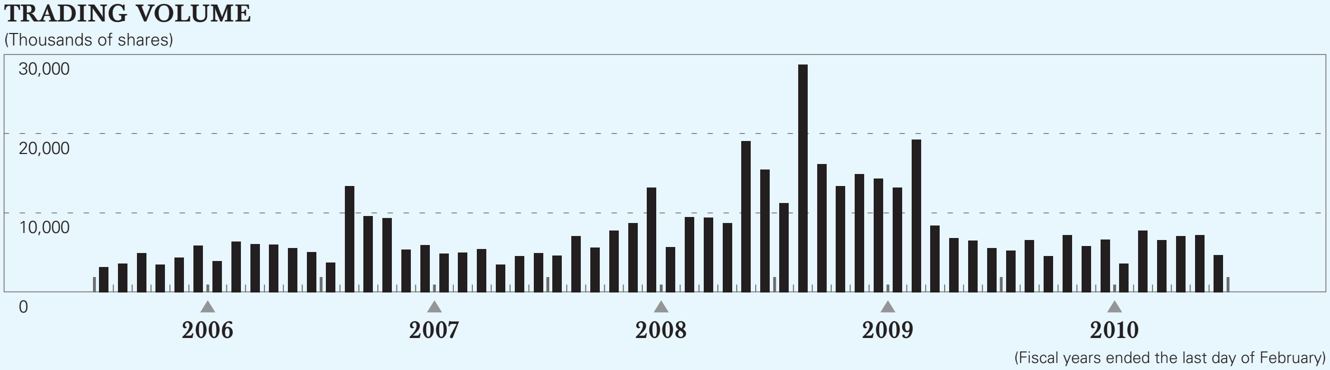
(%)



STOCK PRICE RANGE (TOKYO STOCK EXCHANGE)



TRADING VOLUME



Notes: 1. This trading volume shows the monthly volume of trade on the Tokyo Stock Exchange. Each fiscal year starts in March and ends in February.
2. Stock prices of Star Micronics and the Nikkei Stock Average are based on a simple average of daily closing prices for each day of every month at the Tokyo Stock Exchange.

STOCK PRICE

(Yen)

(Years ended February)

Year	2006	2007	2008	2009	2010
At year-end	1,801	2,540	1,701	830	878
High	2,090	2,710	3,740	2,175	1,020
Low	941	1,691	1,506	773	595

CORPORATE DATA

as of May 27, 2010

DIRECTORS AND AUDITORS

President and CEO	Hajime Sato
Managing Directors	Tomohiko Okitsu Chiaki Fushimi
Directors	Satomi Jojima Hiroshi Tanaka Takashi Kuramae Junichi Murakami Mamoru Sato
Corporate Auditors	Hiroyuki Sawada Hide Doko Kenjiro Ueno

CORPORATE DATA

Corporate Name	Star Micronics Co., Ltd.
Head Office	20-10 Nakayoshida, Suruga-ku, Shizuoka 422-8654, Japan Tel. +81-54-263-1111 Fax. +81-54-263-1057
Established	July 6, 1950

GROUP NETWORK

▶ OVERSEAS SUBSIDIARIES

Star Micronics America, Inc.	1150 King Georges Post Road, Edison, NJ 08837, USA	Tel. +1-732-623-5500
Star Micronics Asia Ltd.	19/F., Enterprise Square II, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong	Tel. +852-2796-2727
Star Micronics Europe Ltd.	Star House, Peregrine Business Park, Gomm Road, High Wycombe, Bucks, HP13 7DL, UK	Tel. +44-1494-471111
Star Precisions Ltd.	18/F., Enterprise Square II, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong	Tel. +852-3412-0700
Star Micronics Manufacturing Dalian Co., Ltd.	2, Huang Hai Street, Dalian Economic and Technical Development Zone, Dalian, PRC	Tel. +86-411-87611535
Star Micronics AG	Lauetstrasse 3 CH-8112 Otelfingen, Zurich, Switzerland	Tel. +41-43-411-6060
Star Micronics GB Ltd.	Chapel Street, Melbourne, Derbyshire, DE74 8JF, UK	Tel. +44-1332-864455
Star Micronics GmbH	Untere Reute 44, 75305 Neuenburg, Germany	Tel. +49-7082-7920-0
Star CNC Machine Tool Corporation	123 Powerhouse Road, Roslyn Heights, NY 11577, USA	Tel. +1-516-484-0500
Star America Holding, Inc.	Suite 100, 30 Old Rudnick Lane, Dover, DE 19901, USA	
Shanghai S&E Precision Co., Ltd.	1-39, East Kangqiao Road, Kangqiao Industrial Zone, Pudong, Shanghai, PRC	Tel. +86-21-68130222
Star Machine Tool France SAS	55 Avenue du Mont Blanc, F-74950 Scionzier, France	Tel. +33-450-96-05-97
Shanghai Xingang Machinery Co., Ltd.	229 Fute Road (N), Waigaoqiao Free Trade Zone, Shanghai 200131, PRC	Tel. +86-21-58682100
Star Micronics (Thailand) Co., Ltd.	49/30 Moo 4 Soi Kingkaew 30, Kingkaew Rd., T. Rachathewa A. Bangplee, Samutprakarn 10540, Thailand	Tel. +66-2-750-4083
S&K Precision Technologies (Thailand) Co., Ltd.	42 Moo 4 Rojana Industrial Park, Tambol Banchang, Amphur U-Thai, Ayutthaya 13210, Thailand	Tel. +66-3-574-6569

▶ JAPANESE SUBSIDIARIES

Micro Sapporo Company	3-705-2 Shinkouminami, Ishikari, Hokkaido 061-3244	Tel. +81-133-64-3663
Micro Fujimi Company	20-10 Nakayoshida, Suruga-ku, Shizuoka 422-8654	Tel. +81-54-263-1523
Star Metal Company	1500-133 Kitanoya, Misawa, Kikugawa, Shizuoka 439-0023	Tel. +81-537-35-0026

*Micro Kikugawa Company and Star Micronics AB have been removed from the above list. The former was dissolved on October 31, 2009 and the latter is currently being liquidated.

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