star

Pushing the Boundaries

ANNUAL REPORT 2015 (PDF Version)

For the year ended February 28, 2015

STAR MICRONICS CO., LTD.

Profile

Since its establishment in 1950, Star Micronics Co., Ltd. has worked diligently to "generate the greatest impact from the least materials." In order to achieve its aspirations, the Company has continued to deliver a steady stream of high-added-value products based on its core technologies of small-scale precision processing and assembly. Currently, Star Micronics is engaged in three businesses: special products, mainly point-of-sale (POS) printers; machine tools, mainly CNC automatic lathes; and precision products, including wristwatch, automobile, and other related components.

From each of the sales and manufacturing perspectives, the Company is also actively engaged in global business development. Building on a current ratio of overseas sales to all sales of approximately 80% and a ratio of overseas production to all production of roughly 75%, Star Micronics will leverage its core technologies to further expand its business.

Contents

Medium-term Strategy

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

Ensure Profitability

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

Raise Growth Opportunities

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

Maintain Soundness

- Equity ratio: 70-75%
- Ratio of net cash (to total assets): 20-25%
- Enhancement of shareholders' returns
  - Dividend payout ratio: 40% or more
  - Dividend on equity: 4.5% or more

Medium-term Targets (2018/2 targets)

Net Sales	¥60.0 billion
Operating Income	¥8.0 billion
Net Income	¥6.0 billion
Return on Equity (ROE)	11% or more
Earnings per Share (EPS)	¥140 or more
Shareholders' Returns	Consolidated dividend payout ratio 40% or more Dividend on equity 4.5% or more

Financial Highlights

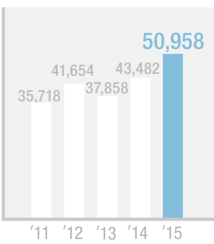
Financial Highlights | Related Information by Geographical Region

Star Micronics Co., Ltd. and Consolidated Subsidiaries
For the years ended February 2013, 2014 and 2015

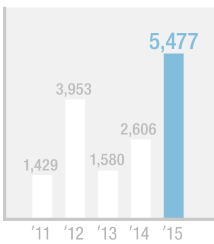
	Millions of yen			Change (%)	Thousands of U.S. dollars
	2013	2014	2015	2015/2014	2015
For the year :					
Net sales	¥37,858	¥43,482	¥50,958	17.2	$428,218
Operating income	1,580	2,606	5,477	110.2	46,025
Net income	2,300	1,143	4,696	310.8	39,462
Return on sales	6.1%	2.6%	9.2%		
Capital expenditures	4,373	1,493	2,105	41.0	17,689
Depreciation and amortization	1,743	1,885	1,924	2.1	16,168
At year-end :					
Total assets	52,564	59,303	70,261	18.5	590,429
Total equity	40,710	45,698	51,903	13.6	436,160
Equity ratio	76.1%	75.5%	72.4%		
	Yen			Change (%)	U.S. dollars
Per share :					
Basic net income	¥54.66	¥27.17	¥111.36	309.9	$0.94
Diluted net income		27.14	111.05	309.2	0.93
Cash dividends applicable to the year	30.00	34.00	44.00	29.4	0.37
Stock information :					
Common shares issued	47,033,234	47,033,234	47,033,234		
Number of shareholders	10,029	8,562	11,123		

Note : The rate of ¥119 to US$1, prevailing on February 28, 2015, has been used for translation into U.S. dollar amounts.

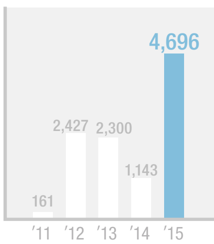
NET SALES
(Millions of yen)



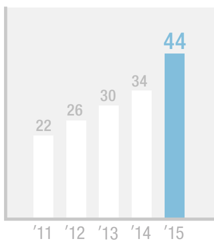
OPERATING INCOME
(Millions of yen)



NET INCOME
(Millions of yen)



CASH DIVIDENDS APPLICABLE TO THE YEAR
(Yen)

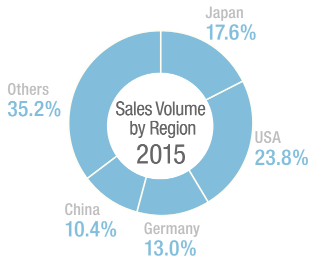


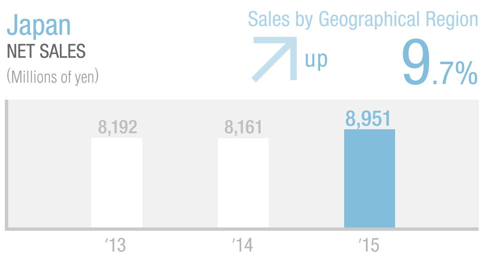
Related Information by Geographical Region

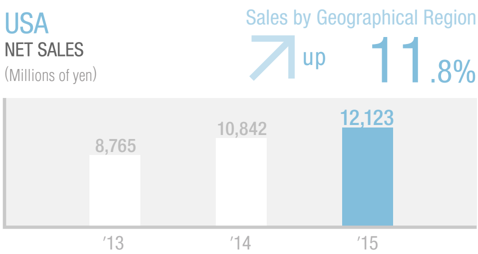
Star Micronics Co., Ltd. and Consolidated Subsidiaries
For the years ended February 2013, 2014 and 2015

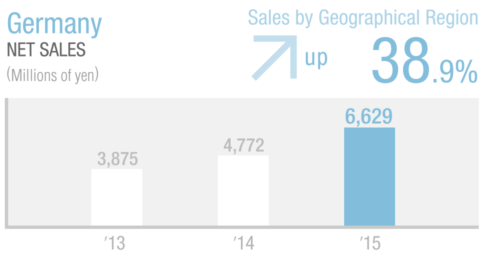
	Millions of yen			Change (%)	Thousands of U.S. dollars
	2013	2014	2015	2015/2014	2015
Japan	¥ 8,192	¥ 8,161	¥ 8,951	9.7	$ 75,218
USA	8,765	10,842	12,123	11.8	101,874
Germany	3,875	4,772	6,629	38.9	55,706
China	4,242	4,390	5,320	21.2	44,706
Others	12,784	15,317	17,935	17.1	150,714
Total	37,858	43,482	50,958	17.2	428,218

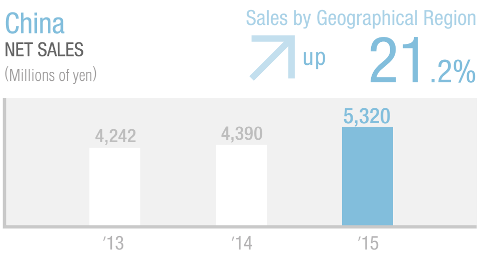
Note : The rate of ¥119 to US$1, prevailing on February 28, 2015, has been used for translation into U.S. dollar amounts.

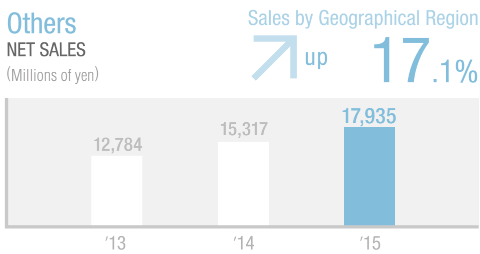












To Our Shareholders

Pushing the Boundaries

In fiscal 2015, the year ended February 28, 2015, the Star Micronics Group reported robust results across all of its businesses. Moving forward, the Group is looking to take another significant leap forward in fiscal 2016.

Hajime Sato
President and CEO

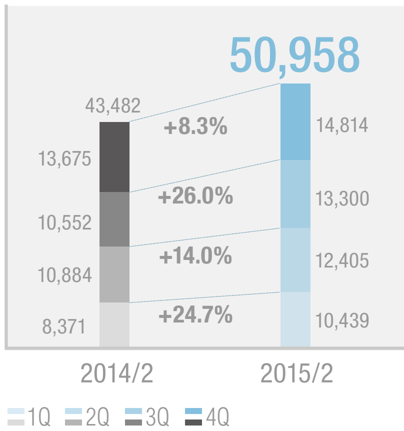
01 Review of Business Performance

The Star Micronics Group reported an increase in revenue and earnings across all of its businesses in fiscal 2015. In addition to the favorable impact of recovery in the U.S. and European economies, this increase in business performance reflected the effects of the weak yen.

In the Machine Tools Segment, sales were strong in the mainstay European market. Results were also robust in Asia and Japan. Demand, which was especially high in the automotive-related sector, provided the impetus for this healthy upswing in sales. Our performance in the Special Products Segment was buoyed by the strong showing in mobile point-of-sale (mPOS) printers as this new growth field steadily expanded in the U.S. and Japan. In the Precision Products Segment, sales of wristwatch components increased substantially on the back of solid wristwatch manufacturer results. At the same time, sales of non-wristwatch components were also firm.

Despite each of these factors and consolidated net sales of ¥50,958 million in fiscal 2015, the year-on-year growth in revenue was held to 17.2%. This was largely attributable to the Company's decision to end its business in the Micro Audio Components Segment during the previous fiscal year. From a profit perspective, operating income jumped 110.2% to ¥5,477 million. Net income surged to ¥4,696 million, up a significant 310.8% year on year.

NET SALES
(Millions of yen, %)



02 Growth and Potential of mPOS Printers

Growth was particularly strong for mPOS printers in the Special Products Segment during the fiscal year under review. mPOS refers to POS systems that use mobile devices like tablets as platforms. The main advantages of mPOS are their lower cost and easier setup than dedicated POS systems and PC-based POS systems (PC-POS). Traditional POS systems require the installation of special equipment and roll-out of a dedicated system, whereas mPOS can be used on consumer-grade mobile devices like tablets. The mPOS system can be easily set up by downloading and installing an app on these devices. By connecting a compact credit card reader to a tablet or other mobile device, payments can be accepted with credit cards. Small and medium-sized retailers that had been unwilling to deploy POS systems due to their cost and other issues have begun to take advantage of mPOS systems. With the addition of mPOS systems, we believe that the overall POS system market is poised for growth.

At the Star Micronics Group, we were early to market a printer for mPOS systems while also releasing a proprietary software development kit (SDK) for the printer. With the market's strong reception, our mPOS printers now have a top share of this market*. mPOS systems are gradually gaining traction in the U.S. and Japan, and we expect them to take off in Europe as well as developing markets in Asia. We expect emerging economies in particular to be a major market, because traditional POS systems have not gained much of a foothold in these countries.

* Based on research undertaken by Star Micronics.

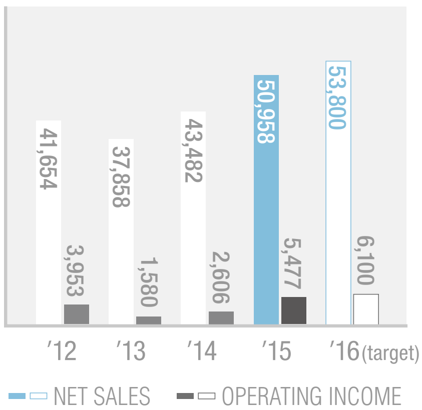
03 Fiscal 2016 Outlook and Business Strategies

While the future is partly shrouded in a cloud of uncertainty, due to weakness in certain regions, in overall terms the global economy is expected to experience modest growth in the fiscal year ending February 29, 2016.

Under these circumstances, I anticipate revenue and earnings will again increase. On an individual business basis, prospects in the Machine Tools Segment are mixed. While sales are projected to decrease in Europe, results in Asia are forecast to improve. In the Special Products Segment, sales of mPOS printers and other devices are expected to grow in Europe and the U.S. In addition to firm sales of wristwatch components, an upswing in sales of non-wristwatch components mainly in the automotive-related sector is projected to boost results in the Precision Products Segment.

NET SALES AND OPERATING INCOME

(Millions of yen)



Accounting for each of these factors, net sales are forecast to reach ¥53,800 million in the fiscal year ending February 29, 2016. This is 5.6% higher than the result recorded for the fiscal year under review. On the earnings front, operating income is expected to total ¥6,100 million, up 11.4% year on year, on the back of the increase in sales. Net income in fiscal 2016 is anticipated to hit ¥4,900 million, a year-on-year increase of 4.3%. Based on these forecasts, I believe that the Star Micronics Group will experience a second consecutive fiscal year of higher revenue and earnings.

While our performance in the fiscal year ending February 29, 2016 is expected to remain sound, anticipated dramatic changes in our business environment leave little room for complacency. Looking at each business segment for example, trends in the demand cycle are projected to impact the Machine Tools Segment in particular. In the context of the recent ongoing upswing in demand, we must remain all the more vigilant in the knowledge that the market may undergo a correction at some time in the future. In order to minimize the effect of corrections to favorable market conditions and to ensure continued growth, we will aggressively pursue the following business strategies.

■ Strengthen Activities in Asia, which Continues to Exhibit Growth

In the markets of Asia, which continue to lead the world in production and consumption as well as economic growth, the Star Micronics Group will endeavor to bolster sales and production from areas where we expect the potential for growth will still exist.

In the Machine Tools Segment, we will introduce strategic products to the Asia region while cultivating markets by strengthening our sales network. In Asia, where the number of new customers is especially high, we will work to increase sales by increasing customers' awareness toward the quality and performance of our products. To this end, we will expand and upgrade our before-sales services, namely our component machining prototypes. We are urgently ramping up production capacity at our production base in Thailand. During fiscal 2016, we are looking to double monthly production, which stood at approximately 40 units as of the end of fiscal 2015, and will then work to increase production even further over the medium to long term. Building on these endeavors, we will put in place an efficient production and logistics structure at each of our production bases in Japan, China, and Thailand. At the same time, we will proactively address the long-term growth in demand.

In the Precision Products Segment, we plan to aggressively capture new customers and expand orders for new components. Amid the focus by Japan's manufacturing industry to develop its overseas business in Asia, we will achieve our goals by harnessing the competitive advantage of our production base network in Japan and overseas. Moreover, we will increase production capacity in a bid to address rising demand.

■ Growth in mPOS Printer Sales and Further Business Development

While we hold great expectations for further expansion in the mPOS market, we do recognize that rivals will trigger increased competition going forward. On this basis, we are anticipating an increasingly harsh business environment. Under these circumstances, we understand the importance of delivering a steady stream of high-value-added products and services in order to capture a higher market share. As a part of ongoing efforts to address competition, we have already unveiled a new mobile printer. Released in February 2015, this printer is the first in the industry to eliminate the need of a dedicated charging adapter. Moreover, we introduced a new electronic receipt service in March 2015. Looking ahead, the newly established subsidiary, Star Cloud Services Inc. will spearhead our efforts to build a new business model that utilizes cloud computing.

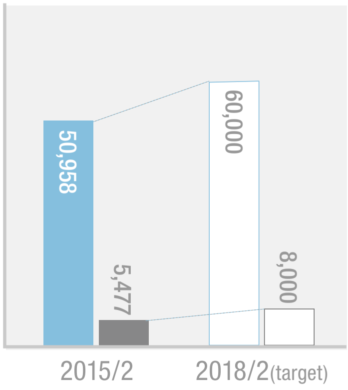
04 Strengthening Our Management Platform

Now more than ever as we enter a period of increased global expansion, it is vital that we strengthen our management platform.

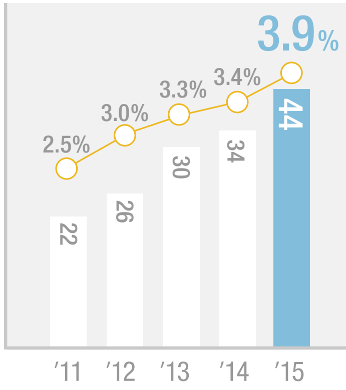
Currently, the Star Micronics Group is channeling its energies toward bolstering its frontline. While progress in the development of overseas production systems has produced certain benefits, there is the risk that this focus will undermine the Group's insistence on quality. Moving forward, the Group will therefore put in place a structure that is able to fully utilize and take advantage of the production frontline know-how and expertise nurtured in Japan at overseas production bases. In addition, the Star Micronics Group will work diligently to raise the sophistication of its consolidated management control and to build world-class systems.

05 Enhancing Corporate and Shareholder Value

NET SALES AND
OPERATING INCOME
(Millions of yen)



CASH DIVIDENDS PER SHARE
AND DOE
(Yen, %)

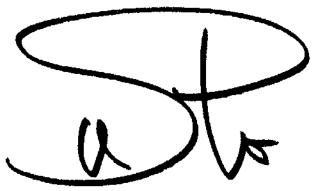


Reacting to new developments in the market including the implementation of Japan's Corporate Governance Code in June 2015, companies are adopting an increasingly vigorous stance toward enhancing capital efficiency.

Against this backdrop, the Star Micronics Group emphasizes shareholder returns in distributing profits, and will institute such returns in close consideration of dividend on equity (DOE), targeting a dividend payout ratio of at least 40%. Turning to its objectives over the medium term, the Group will look to secure a DOE of 4.5% or more and an ROE of at least 11% three years from now by the fiscal year ending February 28, 2018. To date, we have set the ratio of net cash to total assets at around 20-25%. Cash and cash equivalents in excess of this ratio have been provided as returns to shareholders through a variety of measures including the active purchase of treasury stock. The focus of management, however, extends beyond the mere contraction of shareholders' equity to increase capital efficiency. Moving forward, we are looking to boost returns to shareholders through our business profit.

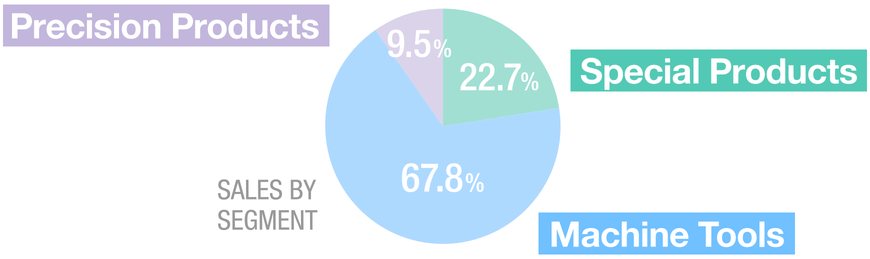
In the years ahead, the Star Micronics Group will pursue sound business investment while maintaining a healthy financial position. By returning profits, we will work diligently to share the Group's value with shareholders. As we strive to achieve our established goals, we look forward to your further expectations.

May 2015



Hajime Sato
President and CEO

At a Glance by Segment



Special Products

NET SALES
¥11,555 million

Point-of-sale (POS) printers used to issue receipts and for other purposes at places such as department stores, supermarkets and restaurants are the main products in the Special Products Segment. The Company maintains a product lineup that harnesses the distinctive features of both thermal and dot matrix printers. In recent years, demand for mobile POS (mPOS) printers that are compatible with tablet terminals, smartphones, and other devices has experienced a steady increase.

▸ Special Products

Machine Tools

NET SALES
¥34,578 million

In the Machine Tools Segment, Star Micronics' Swiss-Type CNC Automatic Lathes enjoy high market shares globally. Key products include the SV series, ideal for the high-precision, complex machining required in the manufacture of medical and other components; the top-of-the-range ST series, which incorporates the Star Motion Control System; the SR series, which features outstanding complex machining and productivity; and the SB series that offers superior cost performance.

▸ Machine Tools

NET SALES
¥4,825 million

Precision Products

The strength of this segment is that we have integrated the production of precision products from the machining stage to the plating stage. In the wristwatch components machining field, we hold a share as one of Japan's leading machining processors of precision components. Currently in the non-wristwatch components field (automotive, air conditioning, medical, hard disk drive (HDD), and other components) business is expanding.

▸ Precision Products

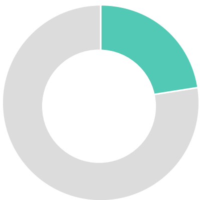
Special Products

Sales and operating income both increased substantially in the period under review. This largely reflected robust trends in mPOS printers in the U.S. and Japan as well as steady growth in dot-matrix printers in Asia. Going forward, the segment will continue to expand global sales in the new mPOS printer market.

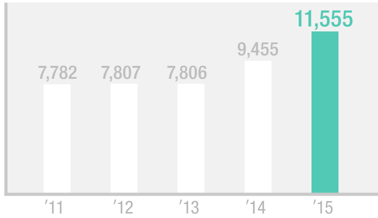
SPECIAL PRODUCTS

SALES BY SEGMENT

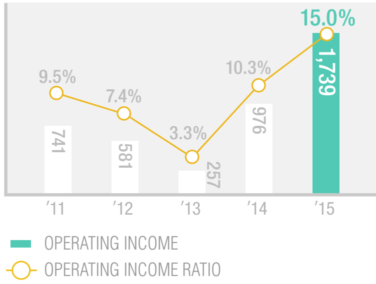
22.7%



NET SALES
(Millions of yen)



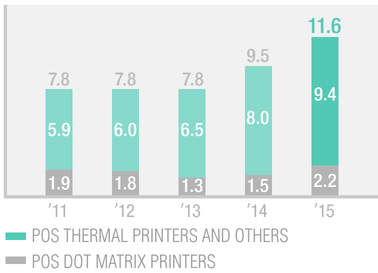
OPERATING INCOME & OPERATING INCOME RATIO
(Millions of yen, %)



Business Environment and Results in Fiscal 2015

In this segment, Star Micronics is engaged in the global sale of POS printers. The Company's reach extends beyond the European and U.S. markets and encompasses such emerging countries and regions as China, South America, and Eastern Europe. Energies are also channeled toward harnessing the features of both thermal and dot-matrix printers while developing products that address market needs. In recent years, the U.S. and Japan are spearheading the widespread use of mPOS printers that are compatible with such devices as tablet terminals. As a pioneer in each of these countries, Star Micronics has acquired a high market share.

SALES IN THE SPECIAL PRODUCTS SEGMENT
(Billions of yen)



In POS printers, sales increased across all regions in the fiscal year under review. In the U.S. and Japanese markets, sales centered on applications for mPOS systems were strong. Sales also grew in the European market alongside the gradual economic recovery. In the Asian market, sales of dot-matrix printers increased in China.

As a result, Star Micronics reported substantial increases in sales and profits. Segments sales grew 22.2% compared with the previous fiscal year to ¥11,555 million (US$97,101 thousand). Operating income soared 78.2% to ¥1,739 million (US$14,613 thousand).

Outlook for Fiscal 2016

The Special Products Segment is expected to experience a continuous increase in sales of mPOS printers mainly in the European and U.S. markets. The Company is also projected to newly generate sales in this segment in Asia.

From a business strategy perspective, competition is expected to intensify as other companies enter the market in line with the growing acceptance and use of mPOS systems. Under these circumstances, we will endeavor to maintain our high market share by consistently providing high-value-added products and services.

For fiscal 2016, we are projecting segment sales of ¥12,900 million, up 11.6% compared with the fiscal year under review. From a profit perspective, operating income is anticipated to reach ¥2,100 million, an increase of 20.8% year on year.

POS printer TSP650 II

Sales Volume of POS Printers by Region

(Thousands of units)

	2014	2015	Change
Europe	127	132	3.9%
The Americas	232	279	20.3%
Asia	82	98	19.5%
Japan and elsewhere	41	58	41.5%
Total	482	567	17.6%

Feature Column

mPOS Printers Entering a Growth Phase

POS printer TSP100LAN

Mobile printer SM-S210i

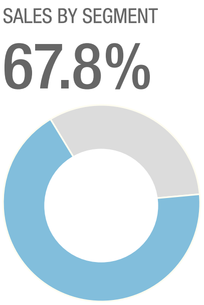
Star Micronics is currently focusing on mPOS printers. Not only are these printers showing increasingly rapid use in the U.S. and Japanese markets, we are confident that they will also gain widespread acceptance throughout the world going forward. Star Micronics was quick to enter the mPOS printer market. In addition to providing its own unique software development kit (SDK) and developing software that enables direct printing from cloud/web applications, the Company is maintaining its top share* in this field by bolstering its lineup of models that are compatible with iOS.

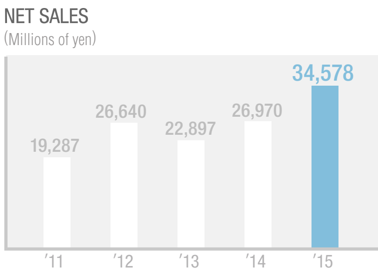
Looking ahead, we will work to secure additional growth by not only delivering hardware including printers, but also strengthening the delivery of such software services as electronic receipts. In February 2015, the Company established Star Cloud Services Inc., a new subsidiary in the U.S. This subsidiary will spearhead efforts to build a new business model that utilizes cloud computing.

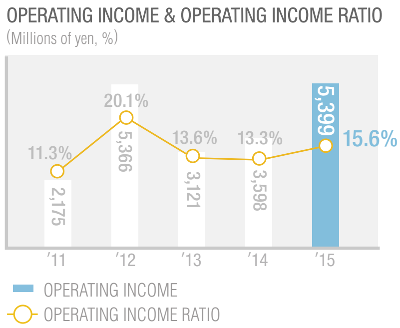
* Company estimate

In addition to the mainstay European market, sales trends were robust in Asia and Japan. Automotive-related demand was particularly high, which led to strong sales. In fiscal 2016, the Asia market is expected to play a central role in boosting sales.

MACHINE TOOLS

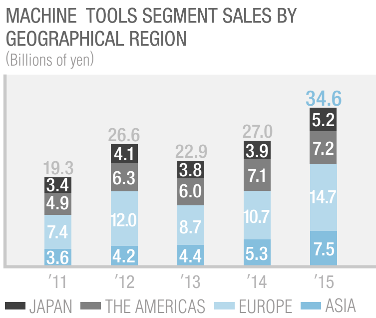






Business Environment and Results in Fiscal 2015

In CNC automatic lathes, a mainstay product of the Machine Tools Segment, sales in the European market increased sharply, reflecting solid sales amid a continuing recovery in orders, mainly in the automotive-related sector. However, sales in the U.S. market were at the same level year on year, primarily due to a lagging recovery in sales in the mainstay medical equipment-related sector. Sales increased substantially in the Asian market, with strong sales in the automobile-, communications-, and medical equipment-related sectors in mainly East Asia. Sales increased significantly in the Japanese market, reflecting strong sales primarily in the automobile-related sector.



As a result, the volume of sales climbed 29.4% compared with the previous fiscal year to 2,437 units. Sales and profits increased substantially with segment sales up 28.2% year on year to ¥34,578 million (US$290,571 thousand), and operating income up 50.1% to ¥5,399 million (US$45,370 thousand).

Meanwhile, Star Micronics took steps to put in place an integrated production system ranging from parts machining to final assembly at its production base in Thailand by June 2014.

Outlook for Fiscal 2016

In fiscal 2016, an increase in sales on orders from the Asian market is expected in the Machine Tools Segment, despite a projected decrease in the European market.

In advancing a business strategy going forward, Star Micronics plans to focus on the Asian market where its share is lower than that of Europe and the U.S. The Company will work to cultivate the market through a variety of measures including efforts to strengthen the sales network. In order to address growing demand, energies will also be channeled toward boosting production. To this end, the Company will increase the volume of production at its base in Thailand while pursuing other avenues.

CNC Swiss Type
Automatic Lathe ST-38

Accounting for each of these factors, sales are projected to increase 3.5% compared with the fiscal year under review to ¥35,800 million. Operating income is forecast to climb 4.5% year on year to ¥5,640 million.

Feature Column

Machine Tool Production Bases

Currently, Star Micronics engages in the production of machine tools through three bases (Japan, China, and Thailand) in Asia and is working to bolster overseas production. To this end, we are expanding production capacity and building an efficient distribution structure that can address global demand in addition to reducing production costs. Today, monthly production capacity at each base in Japan, China, and Thailand stands at approximately 50 units, 150 units, and 40 units, respectively. High-end machine tools are for the most part manufactured in Japan. Other machine tools are manufactured in China and Thailand.

After commencing operations at the Company's production base in Thailand in April 2013, steps were taken to put in place an integrated production system ranging from parts machining to final assembly by June 2014. On this basis, full-fledged production has commenced. Moving forward, the Company will look to further increase production volume. Plans are for production capacity in Thailand to exceed that of China in the future.

1 Kikugawa Factory

2 Star Micronics Manufacturing Dalian Co., Ltd.

3 Star Micronics Manufacturing (Thailand) Co., Ltd.

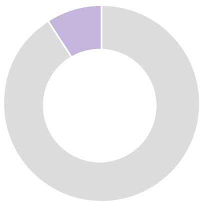
Precision Products

In the Precision Products Segment, sales and profits increased for both wristwatch and non-wristwatch components. In fiscal 2016, sales are again expected to grow.

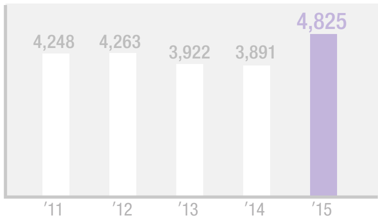
PRECISION PRODUCTS

SALES BY SEGMENT

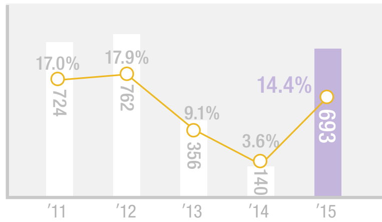
9.5%



NET SALES
(Millions of yen)



OPERATING INCOME & OPERATING INCOME RATIO
(Millions of yen, %)

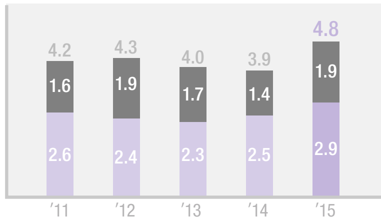


Business Environment and Results in Fiscal 2015

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 other precision components (non-wristwatch components) such as automotive-, medical-, and air conditioner-related components.

Sales of wristwatch components increased markedly to ¥1,900 million (US$15,966 thousand), up 39.4% compared with the previous fiscal year, due to strong sales to wristwatch makers.

PRECISION PRODUCTS SEGMENT SALES
(Billions of yen)



Meanwhile, in non-wristwatch components, overseas sales for various products including automotive- and medical-related components were brisk climbing 15.7% year on year to ¥2,925 million (US$24,580 thousand). The ratio of non-wristwatch component sales to total segment sales for the fiscal year under review was 60.6%.

Accounting for these factors, both sales and profits increased substantially. Total segment sales were up 24.0% compared with the previous fiscal year to ¥4,825 million (US$40,546 thousand). Operating income amounted to ¥693 million (US$5,824 thousand), a jump of 395.0% year on year.

Outlook for Fiscal 2016

In the Precision Products Segment, sales of wristwatch components are forecast to be robust, and sales growth is expected for non-wristwatch components centered on components for automobiles for the fiscal year ending February 29, 2016.

As a business that boasts high profit margins, this segment continues to offer considerable potential. Moving forward, we will expand our business activities by implementing a variety of measures. This will include increasing sales to Japanese manufacturers that are entering the Asia region in large numbers.

Automotive Components

For the fiscal year ending February 29, 2016, Star Micronics is projecting sales for this segment of ¥5,100 million, up 5.7% compared with the fiscal year under review, and operating income of ¥780 million, up 12.6% year on year.

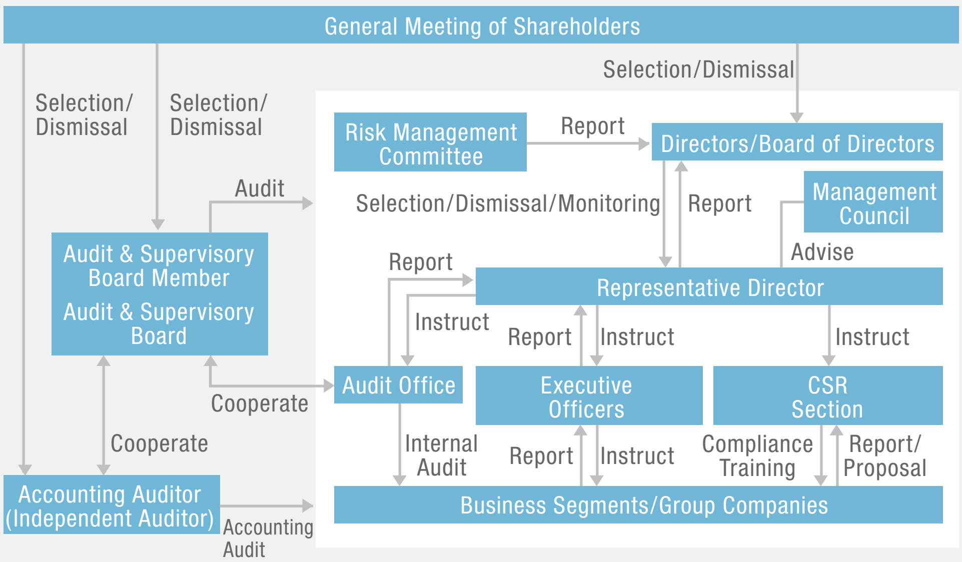
Corporate Governance

At Star Micronics, our basic approach to corporate governance is based on fulfilling our social responsibilities as a company. To this end, we strive for management that is both appropriate and efficient at sustainably raising corporate value, while distributing an appropriate amount of the resulting profits to our shareholders and other stakeholders.

Star Micronics uses the Audit & Supervisory Board member system. Under this system, a Board of Directors comprised of seven directors (including one outside director) rigorously discusses business issues in order to making appropriate and efficient management decisions and to supervises the directors' execution of their duties. To maintain a management organization that is capable of responding readily to changes in the business environment, the Company sets a 1-year renewable term of office for directors. Furthermore, an executive officer system was introduced to Star Micronics to speed up and raise the efficiency of business execution even further, and ensure that management as an organization is flexible and capable of prompt, rational decisions for executing business.

Moreover, to establish a management system with a decision-making process based on judgment incorporating diverse values, one outside director is appointed. Furthermore, with a view to enhancing the management oversight function, all three members of the Audit & Supervisory Board at Star Micronics, including the standing auditor, are outside appointees. These Audit & Supervisory Board members fulfill their duties in accordance with an auditing standard the Company set forth for the Audit & Supervisory Board.

STAR MICRONICS' CORPORATE GOVERNANCE SYSTEM



Compensation of Directors and Audit & Supervisory Board Members

Members of the Board of Directors at Star Micronics are compensated in accordance with the Company's earnings performance. Their package consists of a basic compensation that is paid monthly, a yearly bonus that varies depending on how the Group performs on a consolidated basis and stock options provided as a medium- to long-term incentive bonus. In view of the tasks that they are asked to perform, Audit & Supervisory Board members receive only the basic compensation that is paid monthly.

Basic compensation for directors is set within a range no higher than ¥130 million a year. Star Micronics decides how much of this amount each director receives based on their rank within the Board and the Company's business performance.

Basic compensation for Audit & Supervisory Board members is set within a range no higher than ¥22 million a year. Star Micronics holds discussions with each Audit & Supervisory Board member in deciding how much of this amount each will be paid.

The bonus Star Micronics pays directors is set within a range of no higher than ¥100 million a year. The bonus is allotted to the Board of Directors in a lump sum, which is calculated by multiplying the Company's consolidated net income by a payout ratio that the Company decides each year. A system that assigns points in accordance with rank within the Board determines the amount each director receives of this bonus allotment. Furthermore, at a meeting of the Board of Directors held on May 28, 2015, the Company resolved to pay directors' bonuses as earnings-linked compensation in accordance with Article 34-1, Item 3 of the Corporation Tax Act of Japan.

Breakdown of Compensation of Directors and Audit & Supervisory Board Members

Director rank	Total compensation, etc. (¥ million)	Total compensation by category (¥ million)			Headcount of those eligible
		Basic compensation	Stock options	Bonus	
Directors (excluding outside director)	222	91	36	93	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	—	—	—	—	—
Outside director and Audit & Supervisory Board members	19	19	—	—	5

Notes:

1. The figures for "Stock options" and "Bonus" are the monetary amounts recorded as expenses in the fiscal year under review.
2. The amounts disclosed above exclude ¥51 million (including bonuses) paid out as employee salaries to four directors of the Board who were concurrently serving in employee positions at Star Micronics.
3. Star Micronics is scheduled to pay ¥57 million in total to two directors of the Board upon their retirement. These payments are for severance of a retirement benefit allowance for directors that was discontinued pursuant to a resolution of the Ordinary General Shareholders' Meeting for the 82nd Period held on May 24, 2007.

Internal Control System

Star Micronics strives to maintain an internal control system that will enable proper and efficient management to drive a continuous increase in corporate value.

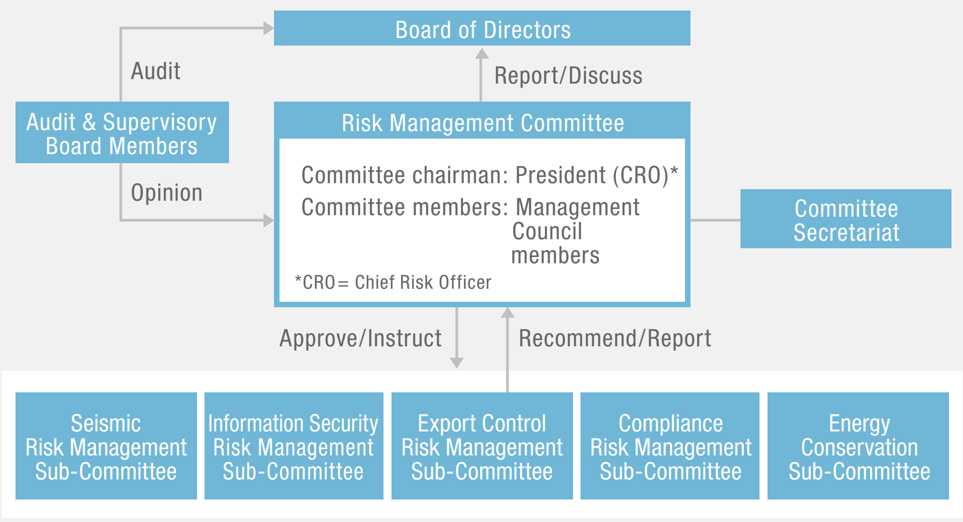
To strengthen internal control, the Star Micronics Global Charter of Corporate Conduct was issued, setting out the Group's basic policies on compliance. Since then, the Star Micronics Global Code of Conduct was drawn up for employees to follow, and we have been working to establish rules and organizational structures to ensure compliance at every level of our activities. In addition, a department dedicated to corporate social responsibility (CSR) spearheads our compliance activities. This department plays a central role in providing reminders and education on compliance to the Group's directors, executives and employees, and is charged with holding periodic committee meetings and monitoring the status in regard to the Group's adherence with all relevant laws and regulations.

Star Micronics also has an appropriate internal control and whistleblower system for ensuring the reliability of its financial reporting, as stipulated in the Financial Instruments and Exchange Law of Japan.

Risk Management

Star Micronics approaches the management of material risks such as legal issues, natural disasters, environmental considerations and export management in an organized and systematic manner. Departments and individuals are assigned as needed to manage a specific risk, and take responsibility for establishing rules and manuals, etc., for managing the risks. They also implement programs to alert, educate and prepare the Group's directors, executives and employees against the risks. There is also a committee which meets periodically to monitor and manage risks for the Group.

STAR MICRONICS' RISK MANAGEMENT SYSTEM



Consolidated Eleven-Year Summary

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

	2015	2014	2013
For the year:			
Net sales	¥50,958	¥43,482	¥37,858
Cost of sales	31,355	28,047	24,683
Selling, general and administrative expenses	14,126	12,829	11,595
Operating income (loss)	5,477	2,606	1,580
Other income (expenses) – net	605	40	2,140
Income (loss) before income taxes and minority interests	6,082	2,646	3,720
Income taxes	1,285	1,400	1,330
Minority interests in net income	101	103	90
Net income (loss)	4,696	1,143	2,300
Net cash provided by operating activities	4,326	2,597	483
Net cash used in investing activities	(2,501)	(2,455)	(1,908)
Free cash flows	1,825	142	(1,425)
Net cash used in financing activities	(1,568)	(1,394)	(1,202)
Per share:			
Basic net income (loss)	¥111.36	¥ 27.17	¥ 54.66
Diluted net income	111.05	27.14	
Cash dividends applicable to the year	44.00	34.00	30.00
At year-end:			
Current assets	¥50,533	¥41,233	¥35,827
Net property, plant and equipment	15,309	14,327	13,476
Total assets	70,261	59,303	52,564
Long-term liabilities	617	524	303
Total equity	51,903	45,698	40,710
Stock exchange price per share of common stock:			
Highest	¥1,885	¥1,422	¥988
Lowest	1,115	857	647
Selected financial indicators:			
Equity ratio (%)	72.4	75.5	76.1
Return on equity (%)	9.8	2.7	6.0
Dividend payout ratio (%)	39.5	125.1	54.9
Dividend on equity (%)	3.9	3.4	3.3

Millions of yen (Except for per share data)

2012	2011	2010	2009	2008	2007	2006	2005
¥41,654	¥35,718	¥29,181	¥56,953	¥73,884	¥62,670	¥54,788	¥49,690
25,753	23,265	22,326	33,535	42,207	37,004	32,875	30,742
11,948	11,024	10,840	14,873	17,025	15,222	13,805	12,605
3,953	1,429	(3,985)	8,545	14,652	10,444	8,108	6,343
(724)	(1,069)	(2,665)	(984)	(271)	410	(68)	(688)
3,229	360	(6,650)	7,561	14,381	10,854	8,040	5,655
717	107	1,800	3,147	6,190	3,719	2,799	1,881
85	92	105	76	111	122	89	(1)
2,427	161	(8,555)	4,338	8,080	7,013	5,152	3,775
4,466	3,520	4,769	6,152	10,666	10,711	4,594	6,891
(393)	(1,518)	(1,194)	(1,314)	(8,072)	(3,169)	(3,619)	(2,016)
4,073	2,002	3,575	4,838	2,594	7,542	975	4,875
(2,092)	(1,813)	(3,977)	(9,077)	(2,152)	(1,331)	(866)	(2,149)
¥ 56.94	¥ 3.71	¥(187.95)	¥ 85.66	¥150.74	¥131.09	¥ 95.60	¥ 70.13
			85.63	150.47	130.73	95.38	70.09
26.00	22.00	22.00	45.00	56.00	32.00	21.00	15.00
¥38,302	¥34,836	¥ 34,346	¥44,762	¥63,152	¥53,620	¥44,615	¥40,170
10,289	10,549	11,678	15,169	17,728	16,355	16,210	14,698
51,925	49,250	50,681	64,205	86,375	76,195	66,826	60,013
407	423	592	459	696	920	793	349
36,980	37,096	41,261	52,986	66,602	61,396	54,295	47,754

Yen

¥958	¥1,182	¥1,020	¥2,175	¥3,740	¥2,710	¥2,090	¥1,030
657	702	595	773	1,506	1,691	941	704
70.2	73.9	80.1	81.5	76.2	79.9	81.2	79.6
6.7	0.4		7.3	12.8	12.2	10.1	8.2
45.7	593.0		52.5	37.2	24.4	22.0	21.4
3.0	2.5	2.2	3.8	4.7	3.0	2.2	1.7

OVERVIEW (Years ended February 28, 2015 and 2014)

Business Environment

In fiscal 2015, the year ended February 28, 2015, both the U.S. and European economies experienced a recovery trend. In Asia, the pace of growth slowed in Southeast Asia with the Chinese economy showing signs of a slowdown. In Japan, the economy tended to remain slow-moving, despite the continued pickup in demand from the fallback subsequent to the surge in demand that had occurred ahead of the consumption tax rise.

Net Sales

(Millions of yen)

2014	2015	Change (%)
¥43,482	**¥50,958**	17.2

Sales in the Machine Tools Segment exceeded the level recorded for the previous fiscal year. In the Special Products Segment, the POS-related markets experienced robust sales mainly in the U.S. and Japan. In the Precision Products Segment, demand increased. Overall sales grew despite the Company ceasing micro audio components operations.

Operating Income

(Millions of yen)

2014	2015	Change (%)
¥2,606	**¥5,477**	110.2

Led mainly by Machine Tools, the Star Micronics Group saw a substantial increase in sales across all businesses. As a result, and with the impact of the weaker yen, the Company reported a major upswing in earnings.

Net Income

(Millions of yen)

2014	2015	Change (%)
¥1,143	**¥4,696**	310.8

Buoyed by the increase in operating income, and the absence of the settlement payment posted during the previous period, net income witnessed a fourfold increase year on year.

Cash Dividends per Share

(Yen)

2014	2015	Change (yen)
¥34	**¥44**	¥10

The annual cash dividend in the year under review increased ¥10 from the previous fiscal year to ¥44 per share.

Total Assets

(Millions of yen)

2014	2015	Change (%)
¥59,303	**¥70,261**	18.5

Total assets rose from the end of the previous period. This was mainly due to an increase in inventories and trade notes and accounts receivables.

Free Cash Flows

(Millions of yen)

2014	2015	Change (%)
¥142	**¥1,825**	—

Free cash flows grew substantially due primarily to the major upswing in profits.

Free cash flows = Operating cash flows + Investing cash flows

Capital Expenditures

(Millions of yen)

2014	2015	Change (%)
¥1,493	**¥2,105**	41.0

Capital expenditures increased year on year. This was mainly due to building-related work on an overseas factory in the Machine Tools Segment and efforts to enhance production facilities.

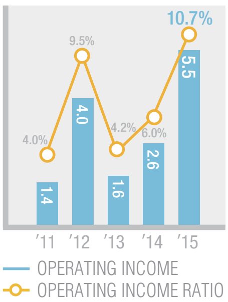
Sales by Region

(Millions of yen)

	2014	2015	Change (%)
Japan	¥ 8,161	**¥ 8,951**	9.7
USA	10,842	**12,123**	11.8
Germany	4,772	**6,629**	38.9
China	4,390	**5,320**	21.2
Others	15,317	**17,935**	17.1

INCOME ANALYSIS

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



Achieved increases in both revenue and earnings across all businesses and reported twofold growth in operating income.

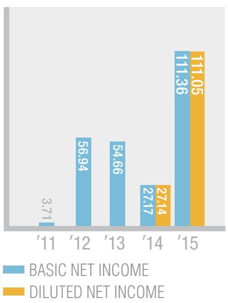
In fiscal 2015, the year under review, the Company reported consolidated sales of ¥50,958 million (US$428,218 thousand), up 17.2%, or ¥7,476 million, year on year. In the machine tools market, sales in Japan and overseas exceeded levels reported for the previous period. In the Special Products Segment, the POS-related markets experienced robust sales mainly in the U.S. and Japan. In markets related to precision products, sales were strong for a variety of products including wristwatch components and automotive-related non-wristwatch components. Turning to foreign currency exchange rate movements, the yen weakened against the U.S. dollar and euro throughout fiscal 2015 compared with the previous period.

The cost of sales increased ¥3,308 million, or 11.8%, to ¥31,355 million (US$263,487 thousand). As a result, gross profit climbed ¥4,168 million, or 27.0%, to ¥19,603 million (US$164,731 thousand). The gross profit margin improved 3.0 percentage points to 38.5%.

Selling, general and administrative (SG&A) expenses grew ¥1,297 million, or 10.1%, year on year to ¥14,126 million (US$118,706 thousand). This increase was mainly due to the upswing in direct marketing expenses in line with the increase in sales as well as the impact of movements in foreign currency exchange rates.

Accounting for each of the aforementioned, the Company saw operating income increase a substantial 110.2%, or ¥2,871 million, year on year, to ¥5,477 million (US$46,025 thousand). The operating income ratio improved 4.7 percentage points to 10.7%.

NET INCOME PER SHARE
(Yen)



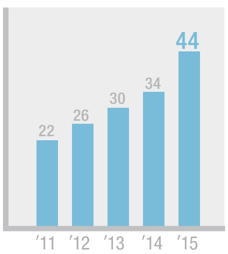
Other expenses decreased. The Company witnessed a substantial increase in other income – net.

Other income – net surged to ¥605 million (US$5,084 thousand), up from ¥40 million recorded in the previous fiscal year. In addition to the absence of the patent right settlement package of ¥650 million recorded in fiscal 2014, this surge in other income – net was largely attributable to the year-on-year increase in foreign exchange gains of ¥101 million.

As a result, the Company saw income before income taxes and minority interests increase ¥3,436 million, or 129.9%, year on year to ¥6,082 million (US$51,109 thousand). Total income taxes were ¥1,285 million (US$10,798 thousand). Net income after deducting minority interests was ¥4,696 million (US$39,462 thousand), a more than fourfold increase compared with the previous fiscal year.

Basic net income per share was ¥111.36 (US$0.94) and diluted net income per share was ¥111.05 (US$0.93).

CASH DIVIDENDS PER SHARE
(Yen)



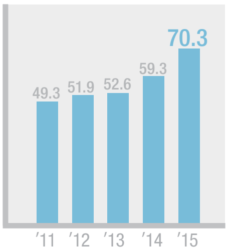
The annual dividend increased ¥10 year on year to ¥44 per share.

The Company increased its annual dividend ¥10 for the fiscal year under review to ¥44 (US$0.37) per share. Total dividends climbed ¥426 million, or 29.8%, to ¥1,857 million (US$15,605 thousand), and the dividend on equity (DOE) was up 0.5 of a percentage point to 3.9%. The Company plans to increase the annual dividend ¥2 for the fiscal year ending February 29, 2016 to ¥46 per share.

Looking ahead, the Company is emphasizing shareholders' returns and is aiming for a dividend payout ratio of at least 40% while taking into consideration DOE when setting future dividends. At the same time, the Company's planned use of internal reserves will include investment in future growth areas to achieve sustainable growth, with the goals of raising both corporate value and shareholder profits.

FINANCIAL POSITION & LIQUIDITY

TOTAL ASSETS
(Billions of yen)



Total assets increased due mainly to upswings in the balances of inventories and trade notes and accounts receivable.

Total current assets as of February 28, 2015 stood at ¥50,533 million (US$424,647 thousand), an increase of ¥9,300 million, or 22.6%, compared with the previous fiscal year-end. This increase chiefly reflected higher balances of inventories, which rose ¥3,691 million, or 29.0%, to ¥16,440 million (US$138,151 thousand), as well as trade notes and accounts receivables, which grew ¥2,874 million, or 25.3%, to ¥14,232 million (US$119,597 thousand) in line with the increase in sales. The balance of cash and cash equivalents also climbed ¥1,233 million, or 8.8%, compared with the end of the previous fiscal year to ¥15,314 million (US$128,689 thousand).

Net property, plant and equipment grew ¥982 million, or 6.9%, to ¥15,309 million (US$128,647 thousand). This rise was largely due to building-related work on an overseas factory in the Machine Tools Segment and efforts to enhance production facilities. The balance of investments and other assets climbed ¥676 million, or 18.1%, compared with the previous fiscal year-end to ¥4,419 million (US$37,135 thousand). This mainly reflected the increase in investment securities of ¥409 million, or 14.8%, to ¥3,164 million (US$26,588 thousand) on a mark-to-market value basis.

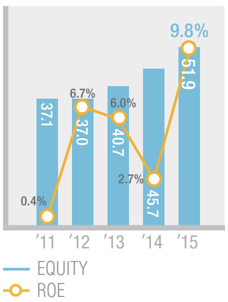
Accounting for each of the aforementioned movements, total assets increased ¥10,958 million, or 18.5%, compared with the balance as of February 28, 2014 to ¥70,261 million (US$590,429 thousand).

Total liabilities rose owing mainly to the increase in trade notes and accounts payable.

Current liabilities increased ¥4,660 million, or 35.6%, compared with the end of the previous fiscal year to ¥17,741 million (US$149,084 thousand). This rise was largely attributable to the increase of ¥3,529 million, or 62.5%, in trade notes and accounts payable to ¥9,179 million (US$77,134 thousand).

Total long-term liabilities came to ¥617 million (US$5,185 thousand), up ¥93 million, or 17.7%, compared with the previous fiscal year-end.

EQUITY AND RETURN ON EQUITY
(Billions of yen, %)

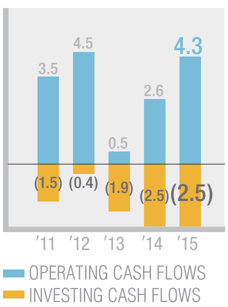


Equity rose mainly on the back of an increase in retained earnings and an improvement in foreign currency translation adjustments.

Equity grew ¥6,205 million, or 13.6%, compared with the balance as of February 28, 2014 to ¥51,903 million (US$436,160 thousand). This was largely the result of the increase in retained earnings of ¥3,179 million, or 13.1%, to ¥27,536 million (US$231,395 thousand) reflecting the contribution from net income of ¥4,696 million (US$39,462 thousand) for the fiscal year under review, as well as the year-on-year improvement of ¥2,671 million in foreign currency translation adjustments to ¥693 million (US$5,824 thousand). The equity ratio declined 3.1 percentage points to 72.4% owing mainly to the increase in total assets. Equity per share as of the end of the fiscal year under review climbed ¥141.58 year on year to ¥1,205.10 (US$10.13).

CASH FLOWS

CASH FLOWS
(Billions of yen)



Cash increased due primarily to the substantial upswing in income before income taxes.

Net cash provided by operating activities came to ¥4,326 million (US$36,353 thousand), up ¥1,729 million year on year. The main contributing factor was the substantial year-on-year increase in income before income taxes and minority interests of ¥3,436 million to ¥6,082 million (US$51,109 thousand), which more than offset ¥2,619 million (US$22,008 thousand) cash used by the net results of changes in trade receivables, trade payables, and inventories, and ¥1,463 million (US$12,294 thousand) in income taxes – paid.

Net cash used in investing activities was ¥2,501 million (US$21,017 thousand), an increase of ¥46 million compared with the previous fiscal year. This chiefly reflected ¥1,386 million (US$11,647 thousand) in net cash used for purchases of property, plant and equipment.

Net cash used in financing activities was ¥1,568 million (US$13,177 thousand), a year-on-year increase of ¥174 million. This was mainly the result of ¥1,515 million (US$12,731 thousand) in dividends paid to shareholders.

Taking into account each of these activities, and after foreign currency translation adjustments on cash and cash equivalents of ¥976 million (US$8,202 thousand), cash and cash equivalents as of February 28, 2015 stood at ¥15,314 million (US$128,689 thousand), representing a net increase of ¥1,233 million (US$10,361 thousand) compared with the previous fiscal year-end.

CAPITAL EXPENDITURES AND R&D EXPENSES

Capital expenditures increased 41.0% compared with the previous fiscal year. This was mainly directed toward the Machine Tools Segment.

Capital expenditures in fiscal 2015 increased ¥612 million, or 41.0%, year on year to ¥2,105 million (US$17,689 thousand). In fiscal 2016, the Company plans to undertake capital expenditures totaling ¥2,941 million.

Special Products Expenditures in the Special Products Segment climbed ¥127 million year on year to ¥205 million (US$1,723 thousand). In fiscal 2016, the Company is budgeting expenditures of ¥379 million in this segment mostly for dyes used in the manufacture of new models.

Machine Tools Expenditures in the Machine Tools Segment grew ¥290 million compared with the previous fiscal year to ¥1,389 million (US$11,672 thousand). In fiscal 2016, the Company is looking to undertake expenditures of ¥1,285 million. Expenses will cover such activities as the rationalization of production and the maintenance and renewal of facilities.

Precision Products Expenditures in the Precision Products segment came to ¥312 million (US$2,622 thousand), up ¥44 million year on year. In fiscal 2016, the Company expects to spend ¥902 million mostly in Japan primarily to expand factories and to bolster production facilities.

Development of new products by the R&D Center and business divisions.

During the fiscal year under review, R&D spending totaled ¥1,948 million (US$16,370 thousand).

R&D Center The R&D Center works to cultivate commercially viable businesses in new fields, and to provide technical support to all of the Company's segments.

In cultivating new business in the promising growth fields of the environment and power generation and long-term elderly care, the R&D Center aims to develop high-value-added products through the application of circuit and software technologies in devices that leverage its accumulated technological expertise in miniaturization, electromagnetic induction and acoustics.

During the fiscal year under review, the R&D Center demonstrated at exhibitions battery-less wireless sensor units that combine sensors and wireless communications modules with small vibration power generation units that transform imperceptible vibrations into electrical power. The Company began marketing these units in the emerging market for wireless sensor networks.

While strengthening its joint research endeavors with universities and alliances with other companies, the R&D Center is developing products for promising new growth fields, such as compact precision actuators that leverage its proprietary technologies.

The R&D Center continues to provide other business segments within the Company with technical support in the areas of physico-chemical analysis, computer aided engineering (CAE), and new production technologies, as it works to raise the bar for technology and quality throughout the entire Company. The center is also responsible for supporting the testing and evaluation of products for quality assurance.

The R&D Center spent ¥676 million (US$5,681 thousand) on R&D during the fiscal year under review.

Special Products

In the year under review, we developed and brought to market the Star WebPRNT Browser, a new product that enables direct printing from Web applications via Bluetooth, a capability that hitherto could not be realized. The Star WebPRNT Browser has functions that convert markup language (HTML/XML) into printer commands, which makes it easy for developers of Web-based POS register applications to program the printing section using a markup language (HTML/XML) that is platform-agnostic (it can be used on any smartphone or tablet) and untethered to operating system version. This innovative solution makes it possible for tablets connected to the Internet to be used as POS systems as-is. We will continue to advance Star WebPRNT and provide printing systems that take full advantage of the benefits of Web applications.

For native software development environments, we also updated the Star-I/O SDK (software development kit) for the latest operating systems for iPhone, iPad and Android devices.

R&D expenses totaled ¥664 million (US$5,580 thousand) in the Special Products Segment during the fiscal year under review.

Machine Tools

In mid-range mass-market models, the Company developed the SB-16R/20R type G and the SB-12R type G for machining parts used in automobiles, medical equipment, consumer electronics and telecommunications equipment. By switching between guide bush and no guide bush types, these models can lower material costs for parts with short dimensions, including nuts and ball bearing enclosures, by reducing the length of residual materials through component machining without the guide bush installed. The tool post based on our proprietary slanted slide guideway structure features high machine rigidity, and reliable precision enables continuous machining for high productivity.

In middle-range high-performance models, the Company developed the SW-12RII for machining small-diameter components used in automobiles and medical equipment. This model has a total of 10 spindles, including 8 linear controlled spindles and 2 rotary controlled spindles. Each tool post is independently controlled, enabling the simultaneous operation of turning, drilling and milling, thereby reducing processing time by as much as 20%. The tool post, especially designed for rear-end machining, has an 8-spindle unit with a Y-axis control function to allow enhanced complex machining capability on the rear side. This also allows for an efficient division of processing on the front and rear sides and enables simultaneous machining. When equipped with our proprietary Star Motion Control System, non-cutting time for switching the path control system and changing tools can be dramatically reduced.

In high-end models, the Company developed the ST-20 model designed for complicated-shaped parts used in the medical, automobile and aircraft industries. The ST-20 has opposing 8-stationed turret-type tool posts for front-side machining and an 8-stationed turret-type tool post for back-side machining, for a total of three turret-type tool posts. In order to machine even more complex-shaped parts than before, improvements were made in motor output and processing capacity. The ST-20 offers high productivity while machining complex shapes thanks to additional modifications in overlap machining with the main and sub-spindles as well as improvements to the Star Motion Control System.

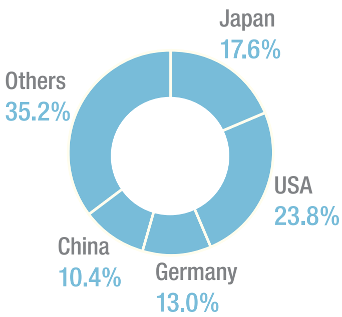
In software development, we are focusing our efforts on continuously improving software in light of market needs by enhancing operability, functionality and safety.

Moreover, as part of our environmental initiatives, we have established our own Star Environmental Standards. We designate the automatic lathes that satisfy these standards with an ECO mark. Also, we are working to increase the ratio of components that are RoHS compliant, and are proactively promoting the powder coating of sheet-metal parts.

In the Machine Tools Segment, R&D expenses amounted to ¥608 million (US$5,109 thousand) in the fiscal year under review.

SALES FRAMEWORK AND NET SALES BY REGION

NET SALES BY REGION

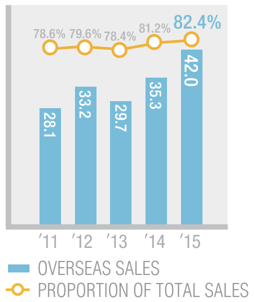


A significant proportion of the Company's products are sold in international markets. To provide customer support on a global scale, the Company operates an extensive network of production and marketing sites across a number of regions worldwide. Details of the Group's principal bases are presented briefly as follows.

	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

	USA	Thailand	China	
Special Products	Star Micronics America, Inc. Star Cloud Services Inc.	Star Micronics Southeast Asia Co., Ltd.	Star Precisions Ltd.	
Machine Tools	Star CNC Machine Tool Corp.	Star Micronics (Thailand) Co., Ltd. Star Micronics Manufacturing (Thailand) Co., Ltd.	Shanghai Xingang Machinery Co., Ltd.	Star Micronics Manufacturing Dalian Co., Ltd.
Precision Products		Star Micronics Precision (Thailand) Co., Ltd.	Shanghai S&E Precision Co., Ltd.	

OVERSEAS SALES AND PROPORTION OF TOTAL SALES
(Billions of yen, %)



Overseas sales as a share of total sales increased on an upswing in sales across each region worldwide.

In the fiscal year under review, overseas sales as a proportion of total sales increased 1.2 percentage points year on year to 82.4%.

By region, net sales in the U.S. rose ¥1,281 million, or 11.8%, to ¥12,123 million (US$101,874 thousand).

Net sales in Germany climbed ¥1,857 million, or 38.9%, to ¥6,629 million (US$55,706 thousand).

Net sales in China grew ¥930 million, or 21.2%, to ¥5,320 million (US$44,706 thousand).

In Japan, net sales increased ¥790 million, or 9.7%, to ¥8,951 million (US$75,218 thousand).

Consolidated Balance Sheet

Star Micronics Co., Ltd. and Consolidated Subsidiaries
February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2015	2014	2015
Current assets:			
Cash and cash equivalents (Note 15)	¥ 15,314	¥ 14,081	$ 128,689
Marketable securities (Notes 3 and 15)	300		2,521
Short-term investments (Notes 4 and 15)	2,169	1,198	18,227
Receivables (Note 15):			
Trade notes and accounts receivable	14,232	11,358	119,597
Unconsolidated subsidiaries and associated companies	576	758	4,840
Other	1,000	648	8,403
Allowance for doubtful receivables	(120)	(119)	(1,008)
Inventories (Note 5)	16,440	12,749	138,151
Deferred tax assets (Note 10)	178	167	1,496
Prepaid expenses and other	444	393	3,731
Total current assets	50,533	41,233	424,647
Property, plant and equipment:			
Land	3,041	2,981	25,555
Buildings and structures	16,446	15,747	138,202
Machinery and equipment	23,328	21,364	196,033
Lease assets (Note 14)	97	136	815
Construction in progress	32	54	269
Total	42,944	40,282	360,874
Accumulated depreciation	(27,635)	(25,955)	(232,227)
Net property, plant and equipment	15,309	14,327	128,647
Investments and other assets:			
Investment securities (Notes 3 and 15)	3,164	2,755	26,588
Investments in unconsolidated subsidiaries and associated companies	408	351	3,429
Deferred tax assets (Note 10)	181	145	1,521
Other assets	666	492	5,597
Total investments and other assets	4,419	3,743	37,135
Total	¥ 70,261	¥ 59,303	$ 590,429

See notes to consolidated financial statements.

Liabilities and equity	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Payables (Note 15):			
Trade notes and accounts payable	¥ 9,179	¥ 5,650	$ 77,134
Unconsolidated subsidiaries and associated companies	1	2	8
Other	1,821	2,043	15,303
Short-term bank loans (Notes 6 and 15)	2,000	2,000	16,807
Current portion of long-term debt (Notes 6 and 14)	18	26	151
Income taxes payable (Note 10)	515	441	4,328
Accrued expenses	1,036	820	8,706
Deferred tax liabilities (Note 10)	497	734	4,176
Other	2,674	1,365	22,471
Total current liabilities	17,741	13,081	149,084
Long-term liabilities:			
Long-term debt (Notes 6 and 14)	35	41	294
Liability for retirement benefits (Note 7)	122	216	1,025
Deferred tax liabilities (Note 10)	313	115	2,630
Other	147	152	1,236
Total long-term liabilities	617	524	5,185
Commitments and contingent liabilities (Note 14)			
Equity (Notes 8, 9 and 21):			
Common stock – authorized, 158,000,000 shares; issued, 47,033,234 shares in 2015 and 2014	12,722	12,722	106,908
Capital surplus	13,902	13,882	116,823
Stock acquisition rights (Note 9)	86	54	723
Retained earnings	27,536	24,357	231,395
Treasury stock – at cost, 4,806,584 shares in 2015 and 4,934,661 shares in 2014	(4,567)	(4,688)	(38,378)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	816	478	6,857
Foreign currency translation adjustments	693	(1,978)	5,824
Defined retirement benefit plans	(215)		(1,807)
Total	50,973	44,827	428,345
Minority interests	930	871	7,815
Total equity	51,903	45,698	436,160
Total	¥70,261	¥59,303	$590,429

See notes to consolidated financial statements.

Consolidated Statement of Income

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales	**¥50,958**	¥43,482	**$428,218**
Cost of sales (Note 7)	**31,355**	28,047	**263,487**
Gross profit	**19,603**	15,435	**164,731**
Selling, general and administrative expenses (Notes 7 and 11)	**14,126**	12,829	**118,706**
Operating income	**5,477**	2,606	**46,025**
Other income (expenses):			
Interest and dividend income	**202**	190	**1,697**
Interest expense	**(11)**	(12)	**(92)**
Foreign exchange gain – net	**268**	167	**2,252**
Special dividend income (Note 12)		95	
Gain on sales of property, plant and equipment	**5**	8	**42**
Loss on disposals of property, plant and equipment	**(94)**	(26)	**(790)**
Settlement package (Note 13)		(650)	
Other – net	**235**	268	**1,975**
Other income – net	**605**	40	**5,084**
Income before income taxes and minority interests	**6,082**	2,646	**51,109**
Income taxes (Note 10)**:**			
Current	**1,432**	1,486	**12,033**
Deferred	**(147)**	(86)	**(1,235)**
Total income taxes	**1,285**	1,400	**10,798**
Net income before minority interests	**4,797**	1,246	**40,311**
Minority interests in net income	**101**	103	**849**
Net income	**¥ 4,696**	¥ 1,143	**$ 39,462**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Notes 2.r, 8 and 18)**:**			
Basic net income	**¥111.36**	¥27.17	**$0.94**
Diluted net income	**111.05**	27.14	**0.93**
Cash dividends applicable to the year	**44.00**	34.00	**0.37**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net income before minority interests (Note 17)	**¥4,797**	¥1,246	**$40,311**
Other comprehensive income:			
Unrealized gain on available-for-sale securities	**338**	229	**2,840**
Foreign currency translation adjustments	**2,730**	4,661	**22,941**
Share of other comprehensive income in an associate	**37**	41	**311**
Total other comprehensive income	**3,105**	4,931	**26,092**
Comprehensive income (Note 17)	**¥7,902**	¥6,177	**$66,403**
Total comprehensive income attributable to (Note 17)**:**			
Owners of the parent	**¥7,704**	¥5,916	**$64,739**
Minority interests	**198**	261	**1,664**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended February 28, 2015

	Thousands	Millions of yen										
							Accumulated other comprehensive income (loss)					
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock–at cost	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, February 28, 2013	42,075	¥12,722	¥13,876	¥35	¥24,379	¥(4,710)	¥249	¥(6,497)		¥40,054	¥656	¥40,710
Net income					1,143					1,143		1,143
Cash dividends, ¥34.0 per share					(1,346)					(1,346)		(1,346)
Purchase of treasury stock	(1)					(1)				(1)		(1)
Disposal of treasury stock	25		6			23				29		29
Change of scope of equity method					181					181		181
Net change in the year				19			229	4,519		4,767	215	4,982
Balance, February 28, 2014	42,099	¥12,722	¥13,882	¥54	¥24,357	¥(4,688)	¥478	¥(1,978)		¥44,827	¥871	¥45,698
Net income					4,696					4,696		4,696
Cash dividends, ¥44.0 per share					(1,517)					(1,517)		(1,517)
Purchase of treasury stock	(1)					(1)				(1)		(1)
Disposal of treasury stock	129		20			122				142		142
Net change in the year				32			338	2,671	¥(215)	2,826	59	2,885
Balance, February 28, 2015	42,227	¥12,722	¥13,902	¥86	¥27,536	¥(4,567)	¥816	¥ 693	¥(215)	¥50,973	¥930	¥51,903

	Thousands of U.S. dollars (Note 1)										
						Accumulated other comprehensive income (loss)					
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock–at cost	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance, February 28, 2014	$106,908	$116,655	$454	$204,681	$(39,395)	$4,017	$(16,622)		$376,698	$7,319	$384,017
Net income				39,462					39,462		39,462
Cash dividends, $0.37 per share				(12,748)					(12,748)		(12,748)
Purchase of treasury stock					(8)				(8)		(8)
Disposal of treasury stock		168			1,025				1,193		1,193
Net change in the year			269			2,840	22,446	$(1,807)	23,748	496	24,244
Balance, February 28, 2015	$106,908	$116,823	$723	$231,395	$(38,378)	$6,857	$ 5,824	$(1,807)	$428,345	$7,815	$436,160

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Operating activities:			
Income before income taxes and minority interests	¥ 6,082	¥ 2,646	$ 51,109
Adjustments for:			
Income taxes – paid	(1,463)	(1,411)	(12,294)
Depreciation and amortization	1,924	1,885	16,168
Settlement package (Note 13)		650	
(Reversal of) provision for doubtful receivables	(8)	13	(67)
Loss on sales and disposals of property, plant and equipment	67	18	563
Changes in assets and liabilities:			
Increase in trade receivables	(1,480)	(1,196)	(12,437)
Increase in inventories	(2,788)	(41)	(23,428)
Increase (decrease) in trade payables	1,649	(457)	13,857
(Decrease) increase in liability for retirement benefits	(171)	177	(1,437)
Other – net	514	313	4,319
Total adjustments	(1,756)	(49)	(14,756)
Net cash provided by operating activities	4,326	2,597	36,353
Investing activities:			
Purchases of property, plant and equipment	(1,386)	(2,281)	(11,647)
Proceeds from sales of property, plant and equipment		4	
Increase in short-term investments	(1,379)		(11,588)
Purchases of marketable and investment securities	(631)	(206)	(5,303)
Proceeds from sales of marketable and investment securities	480	359	4,034
Other – net	415	(331)	3,487
Net cash used in investing activities	(2,501)	(2,455)	(21,017)
Financing activities:			
Dividends paid to shareholders	(1,515)	(1,346)	(12,731)
Dividends paid to minority shareholders of consolidated subsidiaries	(139)	(45)	(1,168)
Payments for purchase of treasury stock	(1)	(1)	(9)
Disposal of treasury stock	115	22	966
Other – net	(28)	(24)	(235)
Net cash used in financing activities	(1,568)	(1,394)	(13,177)
Foreign currency translation adjustments on cash and cash equivalents	976	2,135	8,202
Net increase in cash and cash equivalents	1,233	883	10,361
Cash and cash equivalents at beginning of year	14,081	13,198	118,328
Cash and cash equivalents at end of year	¥15,314	¥14,081	$128,689

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Star Micronics Co., Ltd. and Consolidated Subsidiaries
Year Ended February 28, 2015

1. Basis of Presentation of 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 accordance 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 2014 consolidated financial statements to conform to the classifications used in 2015.

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 has been made at the rate of ¥119 to $1, the approximate rate of exchange at February 28, 2015. Such translation should not be construed as a 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, 2015, include the accounts of the Company and its 18 (18 in 2014) significant subsidiaries (together, the "Group").

Under the control and influence concepts, 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.

Investment in one (one in 2014) associated company is accounted for by the equity method. Investments in the remaining 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 these consolidated financial statements, financial statements as of December 31 are used to consolidate foreign 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 also 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 that 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. However, 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, except for the following items that 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 of accounting for property, plant, and equipment and investment properties and incorporation of cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

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 deposit 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 of Japan) or the net selling value.

e. Marketable and Investment Securities

All investment securities are classified as 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.

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

Investments in limited partnerships, which are considered securities under Article 2, Clause 2 of the Japanese Financial Instruments and Exchange Act, are recorded under the equity method and based on the latest consolidated financial statements available on the reportable date ruled by the partnership contracts.

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 payments 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 balance sheet date.

In May 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2.t).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective February 28, 2015. As a result, liability for retirement benefits of ¥122 million ($1,025 thousand) was recorded as of February 28, 2015, and accumulated other comprehensive income for the year ended February 28, 2015, decreased by ¥215 million ($1,807 thousand).

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. Asset Retirement Obligations

In March 2008, the ASBJ issued 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 the 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 adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

j. Stock Options

ASBJ Statement No. 8, “Accounting Standard for Stock Options,” and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

k. Bonuses to Directors and Audit and Supervisory Board Members

Bonuses to directors and Audit and Supervisory Board Members are accrued at the year-end to which such bonuses are attributable.

l. 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.

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 by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain “as-if-capitalized” information disclosed in the notes to the lessee’s financial statements.

All other leases are accounted for as operating leases.

m. Research and Development Costs

Research and development costs are charged to income as incurred.

n. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. 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 income tax rates to the temporary differences.

o. 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 income to the extent that they are not hedged by forward exchange contracts.

p. 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" under accumulated other comprehensive income in a separate component of equity.

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

q. 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 statement of income.

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

r. Per Share Information

Basic net income 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.

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

s. Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.
(3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

t. New Accounting Pronouncements

Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a) and (b) above effective February 28, 2015, and expects to apply (c) above from March 1, 2015, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

3. Marketable and Investment Securities

Marketable and investment securities at February 28, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current:			
Trust fund investments and other	¥ 300		$ 2,521
Total	¥ 300		$ 2,521
Non-current:			
Equity securities	¥2,570	¥2,138	$21,597
Corporate and other bonds	502	564	4,218
Trust fund investments and other	92	53	773
Total	¥3,164	¥2,755	$26,588

The costs and aggregate fair values of securities classified as available-for-sale at February 28, 2015 and 2014, were as follows:

	Millions of yen			
2015	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	¥1,492	¥1,011		¥2,503
Corporate and other bonds	496	6		502
Trust fund investments and other	329	40		369

2014	Millions of yen Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	¥1,499	¥543	¥15	¥2,027
Corporate and other bonds	556	8		564
Trust fund investments and other	29	24		53

2015	Thousands of U.S. dollars (Note 1) Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale				
Marketable equity securities	$12,538	$8,496		$21,034
Corporate and other bonds	4,168	50		4,218
Trust fund investments and other	2,765	336		3,101

Proceeds from sales of available-for-sale securities for the years ended February 28, 2015 and 2014, were ¥481 million ($4,042 thousand) and ¥359 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, for the year ended February 28, 2015, were ¥27 million ($227 thousand) and nil, and for the year ended February 28, 2014, were ¥20 million and nil, respectively.

4. Short-term Investments

Short-term investments at February 28, 2015 and 2014, consisted of the following:

	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Deposits over three-month period	¥ 660	¥1,198	$ 5,546
Trust beneficiary rights and other investments	1,509		12,681
Total	¥2,169	¥1,198	$18,227

5. Inventories

Inventories at February 28, 2015 and 2014, consisted of the following:

	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Merchandise	¥ 523	¥ 387	$ 4,395
Finished products	9,876	7,522	82,992
Work in process	3,504	2,887	29,445
Raw materials and supplies	2,537	1,953	21,319
Total	¥16,440	¥12,749	$138,151

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

Short-term bank loans at February 28, 2015 and 2014, consisted of bank overdrafts. The annual interest rates applicable for the years ended February 28, 2015 and 2014, were 0.30% and 0.31%, respectively.

Long-term debt at February 28, 2015 and 2014, consisted of the following:

	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Lease obligations	¥53	¥67	$445
Less: current portion	18	26	151
Long-term debt, less current portion	¥35	¥41	$294

Annual maturities of long-term debt at February 28, 2015, were as follows:

Years ending February 28 or 29	Millions of yen	Thousands of U.S. dollars (Note 1)
2016	¥18	$151
2017	13	109
2018	11	93
2019	8	67
2020	1	8
2021 and thereafter	2	17
Total	¥53	$445

7. 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.

Certain consolidated subsidiaries use a simplified method, which is permitted for small-sized companies in conformity with the Accounting Standard for Retirement Benefits for calculating liability for retirement benefits and retirement benefit expenses for their severance payment plans.

Year ended February 28, 2015

(1) The changes in defined benefit obligation for the year ended February 28, 2015, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2015
Balance at beginning of year	¥8,036	$67,529
Current service cost	283	2,378
Interest cost	104	874
Actuarial losses	165	1,387
Benefits paid	(274)	(2,303)
Balance at end of year	¥8,314	$69,865

(2) The changes in plan assets for the year ended February 28, 2015, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2015
Balance at beginning of year	¥7,149	$60,076
Expected return on plan assets	179	1,504
Actuarial losses	612	5,143
Contributions from the employer	526	4,420
Benefits paid	(274)	(2,303)
Balance at end of year	¥8,192	$68,840

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of February 28, 2015

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2015
Funded defined benefit obligation	¥ 8,269	$ 69,487
Plan assets	(8,192)	(68,840)
	77	647
Unfunded defined benefit obligation	45	378
Net liability (asset) for defined benefit obligation	¥ 122	$ 1,025

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2015
Liability for retirement benefits	¥122	$1,025
Net liability (asset) for defined benefit obligation	¥122	$1,025

(4) The components of net periodic benefit costs for the year ended February 28, 2015, were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2015
Service cost	¥ 283	$ 2,378
Interest cost	104	874
Expected return on plan assets	(179)	(1,504)
Recognized net actuarial losses	(28)	(235)
Amortization of prior-service cost	(36)	(303)
Net periodic benefit costs	¥ 144	$ 1,210

(5) Accumulated other comprehensive income on defined retirement benefit plans as of February 28, 2015

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2015	2015
Unrecognized prior-service cost	¥ (42)	$ (353)
Unrecognized actuarial losses	330	2,773
Total	¥288	$2,420

(6) Plan assets as of February 28, 2015

a. Components of plan assets

Plan assets consisted of the following:

	2015
Debt investments	21%
Equity investments	24
General account	33
Others	22
Total	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended February 28, 2015, were set forth as follows:

	2015
Discount rate	1.3%
Expected rate of return on plan assets	2.5%

(8) Defined contribution pension plan

The amount of the required contribution to the defined contribution plans of the consolidated subsidiaries was ¥126 million ($1,059 thousand) for the year ended February 28, 2015.

Year ended February 28, 2014

The liability (asset) for retirement benefits at February 28, 2014, consisted of the following:

	Millions of yen
	2014
Projected benefit obligation	¥(8,036)
Fair value of plan assets	7,149
Unrecognized actuarial loss	748
Unrecognized prior-service cost	(77)
Net amount recognized	¥ (216)

Amounts recognized in the balance sheet consist of:	
Liability for retirement benefits	¥ (216)
Net amount recognized	¥ (216)

The components of net periodic benefit costs for the year ended February 28, 2014, were as follows:

	Millions of yen
	2014
Service cost	¥ 382
Interest cost	107
Expected return on plan assets	(172)
Recognized net actuarial loss	336
Amortization of prior-service cost	(36)
Net periodic benefit costs	¥ 617

Assumptions used for the year ended February 28, 2014, were set forth as follows:

	2014
Discount rate	1.3%
Expected rate of return on plan assets	2.5%
Recognition period of actuarial gain/loss	11 years
Amortization period of prior-service cost	11 years

8. Equity

Japanese companies are 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. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit and Supervisory Board, 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 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 are 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.

9. Stock Options

The stock options outstanding as of February 28, 2015, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2011 Stock Option	8 directors 13 employees	126,000 shares	July 4, 2011	¥ 935	From July 1, 2013 to June 30, 2017
2012 Stock Option	6 directors 2 officers 14 employees	113,000 shares	July 2, 2012	¥ 827	From June 30, 2014 to June 29, 2018
2013 Stock Option	6 directors 2 officers 12 employees 18 directors of subsidiaries	192,000 shares	July 5, 2013	¥1,119	From June 29, 2015 to June 28, 2019
2014 I Stock Option	5 directors	23,100 shares	June 9, 2014	¥ 1	From June 9, 2014 to June 8, 2044
2014 II Stock Option	5 directors 4 officers 18 employees 9 directors of subsidiaries	183,000 shares	July 15, 2014	¥1,466	From July 1, 2016 to June 30, 2020

The stock option activity was as follows:

	Shares				
	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 I Stock Option	2014 II Stock Option
Year ended February 28, 2014					
Non-vested					
February 28, 2013 – Outstanding	126,000	113,000			
Granted			192,000		
Canceled					
Vested	126,000				
February 28, 2014 – Outstanding		113,000	192,000		
Vested					
February 28, 2013 – Outstanding					
Vested	126,000				
Exercised	23,800				
Canceled					
February 28, 2014 – Outstanding	102,200				
Year ended February 28, 2015					
Non-vested					
February 28, 2014 – Outstanding		113,000	192,000		
Granted				23,100	183,000
Canceled			2,000		
Vested		113,000		23,100	
February 28, 2015 – Outstanding			190,000		183,000
Vested					
February 28, 2014 – Outstanding	102,200				
Vested		113,000		23,100	
Exercised	75,200	53,500			
Canceled					
February 28, 2015 – Outstanding	27,000	59,500		23,100	
Exercise price	¥ 935	¥ 827	¥1,119	¥ 1	¥1,466
Average stock price at exercise	¥1,419	¥1,568			
Fair value price at grant date	¥ 254	¥ 167	¥ 191	¥1,209	¥ 265

The assumptions used to measure fair value of the 2014 I Stock Options were as follows:

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	31.98%
Estimated remaining outstanding period:	4.3 years
Estimated dividend:	¥34.00 per share
Risk free interest rate:	0.160%

The assumptions used to measure fair value of the 2014 II Stock Options were as follows:

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	30.11%
Estimated remaining outstanding period:	4 years
Estimated dividend:	¥34.00 per share
Risk free interest rate:	0.113%

10. Income Taxes

The Company and its consolidated subsidiaries in Japan are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37% for the years ended February 28, 2015 and 2014.

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, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current:			
Deferred tax assets			
Tax loss carryforwards	¥ 448	¥ 247	$ 3,765
Accrued bonuses	306	274	2,572
Inventories	234	205	1,966
Unrealized profit on inventories	229	47	1,924
Allowance for doubtful receivables	19	29	160
Other – net	145	97	1,219
Less valuation allowance	(555)	(471)	(4,664)
Total	826	428	6,942
Deferred tax liabilities			
Undistributed earnings of associated companies	(1,016)	(895)	(8,538)
Tax-deductible inventory losses	(53)	(55)	(445)
Other – net	(76)	(45)	(639)
Total	(1,145)	(995)	(9,622)
Net deferred tax assets (liabilities)	¥ (319)	¥ (567)	$ (2,680)
Non-current:			
Deferred tax assets			
Tax loss carryforwards	¥ 1,368	¥ 2,224	$ 11,496
Depreciation	222	207	1,865
Write-down of investment securities	163	165	1,370
Impairment loss	61	56	513
Other – net	258	297	2,168
Less valuation allowance	(1,876)	(2,782)	(15,765)
Total	196	167	1,647
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	(242)	(83)	(2,033)
Reserve for special depreciation	(40)		(336)
Property, plant and equipment	(19)	(20)	(160)
Other – net	(27)	(34)	(227)
Total	(328)	(137)	(2,756)
Net deferred tax assets (liabilities)	¥ (132)	¥ 30	$ (1,109)

A reconciliation between the normal effective statutory tax rate for the years ended February 28, 2015 and 2014, and the actual effective tax rate reflected in the accompanying consolidated statements of income was as follows:

	2015	2014
Normal effective statutory tax rate	37.2%	37.2%
Valuation allowance	(13.5)	1.6
Effect of foreign tax rate differences	(6.2)	(8.9)
Undistributed earnings of associated companies	4.9	15.3
Unrealized profit on inventories	(0.6)	6.9
Other – net	(0.7)	0.8
Actual effective tax rate	21.1%	52.9%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.2% to 34.8%. The impact of this change was insignificant.

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate from approximately 34.8% to 32.3% for the fiscal year beginning on or after April 1, 2015, and to 31.6% for the fiscal year beginning on or after April 1, 2016. The impact of this change is insignificant.

11. Research and Development Costs

Research and development costs charged to income were ¥1,948 million ($16,370 thousand) and ¥1,946 million for the years ended February 28, 2015 and 2014, respectively.

12. Special Dividend Income

Special dividend income resulted from a dividend from Kikugawa Industrial Park Cooperative Association, an associate of the Company.

13. Settlement Package

The Group has entered a patent agreement under which it will pay royalties for patent use to a competing manufacturer in the POS printer field in the Special Products Segment.

As a result, for the year ended February 28, 2014, the Group recognized a loss of ¥650 million for settlement on patent use.

14. Leases

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

Obligations under non-cancelable operating leases at February 28, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Due within one year	¥ 89	¥ 97	$ 748
Due after one year	329	219	2,765
Total	¥418	¥316	$3,513

15. Financial Instruments and Related Disclosures

(1) Group Policy for Financial Instruments

The Group invests cash surpluses in low-risk financial instruments and uses bank loans to fund its ongoing operations. Derivatives are used mainly to manage foreign exchange risks, not for speculative purposes.

(2) Nature, Extent of Risks Arising from, and Risk Management for Financial Instruments

Trade receivables such as trade notes and accounts receivable are exposed to customer credit risk. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balance of each customer. The Group also periodically checks the credit status of key customers.

Marketable securities and investment securities, which are mainly equity instruments, are exposed to market risk. The Group periodically monitors market values of these securities and reports them to the management.

Trade payables such as trade notes and accounts payable are mostly due within one year.

Loans are used to finance operating activities and are exposed to risks of interest rate fluctuations, but all of such loans are short-term borrowings.

The Group uses forward foreign exchange contracts to manage exchange risks arising from receivables and payables denominated in foreign currencies. Derivative transactions entered into by the Group have been made in accordance with internal policies which prescribe the authorization, and the result is reported to management. The Group also limits the counterparties of these derivatives to major international financial institutions to reduce credit risk.

With regard to trade payables and loans, the Group is exposed to liquidity risk. The Group manages this risk through periodic financial planning by each Group company.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on their quoted market price, if available. If a quoted price is not available, other rational valuation techniques are used instead.

(a) Fair Value of Financial Instruments

	Millions of yen			Thousands of U.S. dollars (Note 1)		
February 28, 2015	Carrying amount	Fair value	Unrealized gain/loss	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥15,314	¥15,314		$128,689	$128,689	
Marketable and investment securities	3,374	3,374		28,353	28,353	
Short-term investments	2,169	2,169		18,227	18,227	
Trade receivables	14,808	14,808		124,437	124,437	
Total	¥35,665	¥35,665		$299,706	$299,706	
Trade payables	¥ 9,180	¥ 9,180		$ 77,142	$ 77,142	
Short-term bank loans	2,000	2,000		16,807	16,807	
Total	¥11,180	¥11,180		$ 93,949	$ 93,949	
Derivatives	¥ (148)	¥ (148)		$ (1,244)	$ (1,244)	

	Millions of yen		
February 28, 2014	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents	¥14,081	¥14,081	
Marketable and investment securities	2,645	2,645	
Short-term investments	1,198	1,198	
Trade receivables	12,116	12,116	
Total	¥30,040	¥30,040	
Trade payables	¥ 5,652	¥ 5,652	
Short-term bank loans	2,000	2,000	
Total	¥ 7,652	¥ 7,652	
Derivatives	¥ (60)	¥ (60)	

Cash and cash equivalents and short-term investments

The carrying values of cash and cash equivalents and short-term investments approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 3.

Trade receivables

The carrying values of receivables approximate fair value because of their short maturities. Further, the carrying values of receivables due in more than one year, arising from some overseas subsidiaries having installment sales, are measured in a rational manner, discounted at the Group's assumed corporate discount rate.

Trade payables and short-term bank loans

The carrying values of payables and short-term bank loans approximate fair value because of their short maturities.

Derivatives

Information on the fair value of derivatives is included in Note 16.

(b) Carrying Amount of Financial Instruments Whose Fair Value Cannot be Reliably Determined

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Investments in equity instruments that do not have a quoted market price in an active market	¥ 67	¥110	$ 563
Investments in unconsolidated subsidiaries and associated companies	306	248	2,572
Investments in limited partnerships	23		193
Total	¥396	¥358	$3,328

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen			
February 28, 2015	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥15,314			
Marketable and investment securities	400	¥ 400	¥23	
Short-term investments	2,169			
Trade receivables	13,663	1,145		
Total	¥31,546	¥1,545	¥23	

	Millions of yen			
February 28, 2014	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥14,081			
Marketable and investment securities		¥ 500		
Short-term investments	1,198			
Trade receivables	11,423	693		
Total	¥26,702	¥1,193		

	Thousands of U.S. dollars (Note 1)			
February 28, 2015	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$128,689			
Marketable and investment securities	3,361	$ 3,361	$193	
Short-term investments	18,227			
Trade receivables	114,815	9,622		
Total	$265,092	$12,983	$193	

16. Derivatives

Derivative transactions to which hedge accounting is not applied

At February 28, 2015	Millions of yen Contracted amount	Contracted amount due after one year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables	¥3,647		¥ (48)	¥ (48)
Payables	2,667		(100)	(100)
Total	¥6,314		¥(148)	¥(148)

At February 28, 2014	Millions of yen Contracted amount	Contracted amount due after one year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables	¥2,831		¥ 35	¥ 35
Payables	1,496		(95)	(95)
Total	¥4,327		¥(60)	¥(60)

At February 28, 2015	Thousands of U.S. dollars (Note 1) Contracted amount	Contracted amount due after one year	Fair value	Unrealized gain/loss
Foreign currency forward contracts:				
Receivables	$30,647		$ (404)	$ (404)
Payables	22,412		(840)	(840)
Total	$53,059		$(1,244)	$(1,244)

17. Comprehensive Income

The components of other comprehensive income for the years ended February 28, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 513	¥ 313	$ 4,311
Reclassification adjustments to profit or loss	(16)	(19)	(135)
Amount before income tax effect	497	294	4,176
Income tax effect	(159)	(65)	(1,336)
Total	¥ 338	¥ 229	$ 2,840
Foreign currency translation adjustments:			
Adjustments arising during the year	¥2,730	¥4,661	$22,941
Total	¥2,730	¥4,661	$22,941
Share of other comprehensive income in an associate:			
Gains arising during the year	¥ 37	¥ 41	$ 311
Total	¥ 37	¥ 41	$ 311
Total other comprehensive income	¥3,105	¥4,931	$26,092

18. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended February 28, 2015 and 2014, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars (Note 1)
	Net income	Weighted-average shares	EPS	
Year ended February 28, 2015				
Basic EPS				
Net income attributable to common shareholders	¥4,696	42,167	¥111.36	$0.94
Effect of dilutive securities				
Stock acquisition rights		118		
Diluted EPS				
Net income for computation	¥4,696	42,285	¥111.05	$0.93
Year ended February 28, 2014				
Basic EPS				
Net income attributable to common shareholders	¥1,143	42,083	¥ 27.17	
Effect of dilutive securities				
Stock acquisition rights		37		
Diluted EPS				
Net income for computation	¥1,143	42,120	¥ 27.14	

19. Segment Information

Under ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures,” an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group has three reportable segments: “Special Products,” “Machine Tools,” and “Precision Products.”

“Special Products” produces and sells POS printers, visual cards, readers/writers and others.

“Machine Tools” produces and sells CNC automatic lathes and others.

“Precision Products” produces and sells wristwatch parts, automotive parts, air conditioning parts, HDD parts, medical parts and others.

2. Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”

3. Information about sales, profit (loss), assets, liabilities and other items.

2015	Reportable Segment: Special Products	Reportable Segment: Machine Tools	Reportable Segment: Precision Products	Total	Reconciliations	Consolidated
	Millions of yen					
Sales to external customers	¥11,555	¥34,578	¥4,825	¥50,958		¥50,958
Intersegment sales or transfers						
Total	11,555	34,578	4,825	50,958		50,958
Segment profit	¥ 1,739	¥ 5,399	¥ 693	¥ 7,831	¥(2,354)	¥ 5,477
Segment assets	¥ 9,865	¥42,226	¥8,456	¥60,547	¥ 9,714	¥70,261
Other items:						
Depreciation	184	1,007	573	1,764	160	1,924
Investments in associates	302			302		302
Increase in property, plant and equipment and intangible assets	205	1,389	312	1,906	199	2,105

2014	Reportable Segment: Special Products	Reportable Segment: Machine Tools	Reportable Segment: Precision Products	Reportable Segment: Micro Audio Components	Total	Reconciliations	Consolidated
	Millions of yen						
Sales to external customers	¥9,455	¥26,970	¥3,891	¥3,166	¥43,482		¥43,482
Intersegment sales or transfers							
Total	9,455	26,970	3,891	3,166	43,482		43,482
Segment profit	¥ 976	¥ 3,598	¥ 140	¥ 143	¥ 4,857	¥(2,251)	¥ 2,606
Segment assets	¥7,502	¥36,027	¥7,793	¥1,260	¥52,582	¥ 6,721	¥59,303
Other items:							
Depreciation	197	975	555	10	1,737	148	1,885
Investments in associates	245				245		245
Increase in property, plant and equipment and intangible assets	78	1,099	268	6	1,451	42	1,493

2015	Reportable Segment: Special Products	Reportable Segment: Machine Tools	Reportable Segment: Precision Products	Total	Reconciliations	Consolidated
	Thousands of U.S. dollars (Note 1)					
Sales to external customers	$97,101	$290,571	$40,546	$428,218		$428,218
Intersegment sales or transfers						
Total	97,101	290,571	40,546	428,218		428,218
Segment profit	$14,613	$ 45,370	$ 5,824	$ 65,807	$(19,782)	$ 46,025
Segment assets	$82,899	$354,841	$71,059	$508,799	$ 81,630	$590,429
Other items:						
Depreciation	1,546	8,462	4,815	14,823	1,345	16,168
Investments in associates	2,538			2,538		2,538
Increase in property, plant and equipment and intangible assets	1,723	11,672	2,622	16,017	1,672	17,689

Notes: 1. Reconciliations recorded for segment profit include corporate expenses that are not allocated to any reportable segment. Corporate expenses principally consist of general corporate expenses incurred by the Administration Headquarters of the Company.

2. Reconciliations recorded for segment assets include corporate assets that are not allocated to any reportable segment. Corporate assets principally consist of 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).

3. Reconciliations recorded for depreciation include depreciation incurred by corporate assets that are not allocated to any reportable segment.

4. Reconciliations recorded for increase in property, plant and equipment and intangible assets are capital investments principally for corporate assets that are not allocated to any reportable segment.

5. Segment profit agrees with operating profit in the accompanying consolidated statement of income.

6. Effective the fiscal year ended February 28, 2015, reportable segments were changed from four reportable segments: "Special Products," "Micro Audio Components," "Machine Tools," and "Precision Products" to three reportable segments: "Special Products," "Machine Tools," and "Precision Products" because the "Micro Audio Components" segment ceased operations in the fiscal year ended February 28, 2014.

Related Information

Related information by geographical area at February 28, 2015 and 2014, consisted of the following:

(1) Net Sales

	Millions of yen					
2015	Japan	USA	Germany	China	Others	Total
	¥8,951	¥12,123	¥6,629	¥5,320	¥17,935	¥50,958

	Millions of yen					
2014	Japan	USA	Germany	China	Others	Total
	¥8,161	¥10,842	¥4,772	¥4,390	¥15,317	¥43,482

	Thousands of U.S. dollars (Note 1)					
2015	Japan	USA	Germany	China	Others	Total
	$75,218	$101,874	$55,706	$44,706	$150,714	$428,218

Note: Sales are classified by countries or regions based on location of customers.

(2) Property, Plant and Equipment

	Millions of yen				
2015	Japan	Thailand	China	Others	Total
	¥6,561	¥5,209	¥2,422	¥1,117	¥15,309

	Millions of yen				
2014	Japan	Thailand	China	Others	Total
	¥6,608	¥4,435	¥2,197	¥1,087	¥14,327

	Thousands of U.S. dollars (Note 1)				
2015	Japan	Thailand	China	Others	Total
	$55,134	$43,773	$20,353	$9,387	$128,647

20. Related Party Disclosures

Transactions of the Company with directors for the years ended February 28, 2015 and 2014, were as follows:

Year ended February 28, 2015

Related party	Category	Description of transaction	Millions of yen	Thousands of U.S. dollars (Note 1)
Hajime Sato	President & CEO	Exercise of stock options	¥18	$151
Takashi Kuramae	Director	Exercise of stock options	¥12	$101
Junichi Murakami	Director	Exercise of stock options	¥12	$101

Year ended February 28, 2014

Related party	Category	Description of transaction	Millions of yen
Hajime Sato	President & CEO	Exercise of stock options	¥12

21. Subsequent Event

The following appropriation of retained earnings at February 28, 2015, was to be approved at the Company's share-holders' meeting held on May 28, 2015:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends, ¥25 ($0.210) per share	¥1,056	$8,874

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Star Micronics Co., Ltd. and its consolidated subsidiaries as of February 28, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its consolidated subsidiaries as of February 28, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tomatsu LLC

May 13, 2015

Member of
Deloitte Touche Tohmatsu Limited

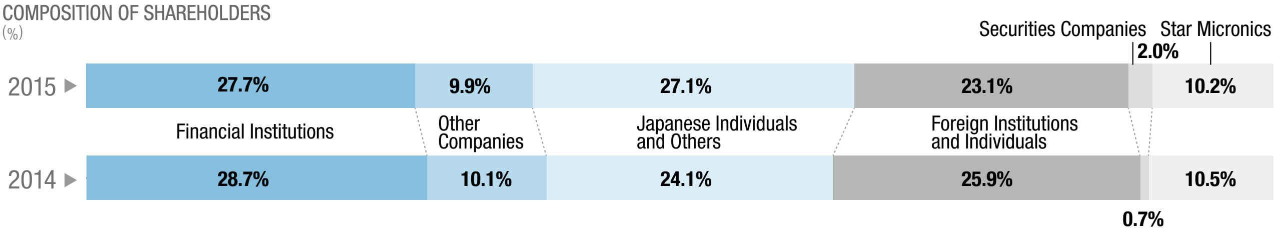
Stock Information

as of February 28, 2015

Common Stock	Authorized	158,000,000	Stock Listing	First Section of the Tokyo Stock Exchange
	Issued	47,033,234	Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Paid-in Capital		12,721,939,515 yen		1-4-5 Marunouchi, Chiiyoda-ku,
Number of Shareholders		11,123		Tokyo 100-8212, Japan

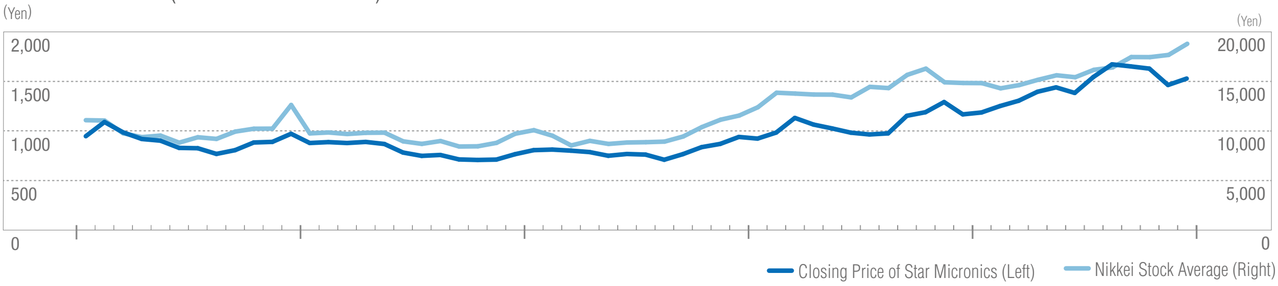
COMPOSITION OF SHAREHOLDERS

(%)



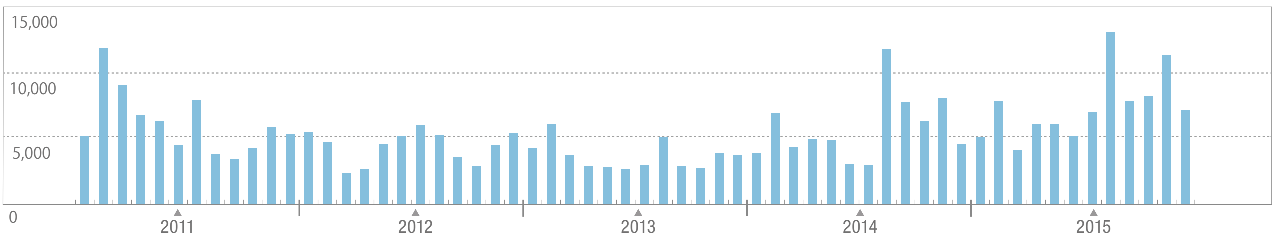
STOCK PRICE RANGE (TOKYO STOCK EXCHANGE)

(Yen)



TRADING VOLUME

(Thousands of shares)



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.

(Fiscal years ended the last day of February)

STOCK PRICE

(Yen)

(Years ended February)

Year	2011	2012	2013	2014	2015
At year-end	929	807	943	1,178	1,550
High	1,182	958	988	1,422	1,885
Low	702	657	647	857	1,115

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