

**June 29, 2005**  
**Fiscal 2006 First-Quarter Consolidated Earnings Report**

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Company name: Star Micronics Co., Ltd.  
 Stock listings: First Section, Tokyo and Nagoya stock exchanges  
 Code: 7718  
 URL: <http://www.star-m.jp/>

1. Matters Related to Preparation of Quarterly Financial Information

- ① Simplified accounting methods applied: Yes  
 Applied to some items with marginal impact
- ② Changes in accounting methods from the most recent consolidated financial year: Yes  
 In the first quarter of fiscal 2006, Star Micronics applied Accounting Standards for Impairment of Fixed Assets (Opinions on Accounting Standards for Impairment of Fixed Assets, Business Accounting Council, August 9, 2002) and Guidance for the Application of Accounting Standards for Impairment of Fixed Assets (Accounting Standards Board of Japan, Business Accounting Standards Application Policy No. 6, October 31, 2003) earlier than required. This had the effect of reducing first-quarter income before income taxes by ¥101 million.
- ③ Changes in the scope of consolidation and application of the equity method: Yes  
 (Compared to the previous fiscal year)  
 Consolidated subsidiaries: New (3), Excluded (0)  
 Equity-method affiliates: New (0), Excluded (0)

2. Results for the First Quarter of Fiscal 2006 (March 1, 2005 ~ May 31, 2005)

(1) Operating results (consolidated)

(Millions of yen, %)

	Net Sales	Operating Income	Ordinary Income	Net Income
FY2006 First Quarter	12,034 (10.5)	1,715 (50.1)	1,827 (57.1)	975 (87.6)
FY2005 First Quarter	10,891 -	1,143 -	1,162 -	520 -
FY2005 (reference)	49,689	6,343	6,357	3,775

(Yen)

	Net Income per Share	Diluted Net Income per Share
FY2006 First Quarter	18.32	18.30
FY2005 First Quarter	9.75	9.75
FY2005 (reference)	70.13	70.09

Note: Percentage figures for net sales, operating income and other items represent year-on-year changes.

[Qualitative Data Related to Consolidated Operating Results]

Star Micronics reported first-quarter consolidated net sales of ¥12,034 million, up 10.5% year on year. This increase was driven by sales of machine tools, supported by demand from the U.S. and Europe where buoyant levels of capital investment continued from the previous fiscal year. Due to factors such as the higher sales and an improvement in margins, operating income jumped 50.1% to ¥1,715 million, ordinary income increased 57.1% to ¥1,827 million, and net income surged 87.6% to ¥975 million.

## Performance by Segment

### (Special Products)

The lack of any new developments in China's VAT project led to a decline in sales of computer printers for the Chinese tax collection systems. In addition, there was a marginal drop in sales of point-of-sale (POS) printers in the U.S. and Europe. These factors led to a decline in segment sales of 6.2% to ¥2,678 million. Operating income dropped 43.5% to ¥93 million.

### (Components)

Although sales of electronic buzzers for mobile phones fell year on year, sales of receivers grew as they were increasingly adopted by leading mobile phone manufacturers. As a result, segment sales increased 14.7% to ¥2,440 million. Operating income surged 134.1% to ¥289 million on the back of higher sales, cost reductions and other factors.

### (Machine Tools)

Sales of machine tools in Japan were slightly down on the same period a year earlier. However, this drop was more than compensated for by continued strong demand in the U.S. and European markets, leading to an increase of 20.2% in segment sales to ¥5,874 million. Operating income jumped 41.9% to ¥1,636 million due to the higher sales and other factors.

### (Precision Products)

Despite a year-on-year decline in sales of wristwatch components due to the impact of production cutbacks at watch manufacturers, segment sales increased 1.8% to ¥1,041 million, supported by higher sales of non-wristwatch components due to the consolidation of a subsidiary manufacturing car audio components in Shanghai from the period under review. Operating income rose 25.7% to ¥248 million.

## (2) Financial position (consolidated)

	Total Assets (Millions of yen)	Total Shareholders' Equity (Millions of yen)	Shareholders' Equity Ratio (%)	Shareholders' Equity per Share (¥)
May 31, 2005	60,061	48,631	81.0	912.76
May 31, 2004	56,260	44,746	79.5	839.20
February 28, 2005 (reference)	60,012	47,753	79.6	895.68

### [Qualitative Data Related to Financial Position]

As of May 31, 2005, total assets on a consolidated basis stood at ¥60,061 million, almost on a par with the level at February 28, 2005.

## 3. Consolidated Interim Earnings Forecast for Fiscal 2006 (March 1, 2005 ~ August 31, 2005)

(Millions of yen)

	Net Sales	Ordinary Income	Net Income
FY2006 Interim	25,300	3,600	2,000

### [Qualitative Data Related to Earnings Forecast]

The Company has revised its fiscal 2006 interim earnings forecasts in light of recent business performance and other factors. The original forecasts were announced on April 12, 2005. For further details, please refer to the separate press release, "Revision of Interim Earnings Forecasts for Fiscal 2006" also announced today.

*\* Amounts less than one million yen have been omitted. The above forecasts are based on information available to management at the time of release. Investors are warned that a number of uncertainties may cause actual results to differ materially from forecasts.*