

January 11, 2006

Fiscal 2006 Third-Quarter Consolidated Earnings Report

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
Since the beginning of fiscal 2006, Star Micronics has been applying accounting standards for the impairment of fixed assets earlier than required.
- 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 Third Quarter of Fiscal 2006 (March 1, 2005 ~ November 30, 2005)

(1) Operating results (consolidated)

(Millions of yen, %)

| | Net Sales | Operating Income | Ordinary Income | Net Income |
|----------------------|---------------|------------------|-----------------|--------------|
| FY2006 Third Quarter | 39,738 (9.2) | 6,557 (29.6) | 6,785 (33.8) | 4,085 (32.0) |
| FY2005 Third Quarter | 36,391 (12.3) | 5,058 (86.4) | 5,073 (89.2) | 3,094 (61.0) |
| FY2005 (reference) | 49,689 | 6,343 | 6,357 | 3,775 |

(Yen)

| | Net Income per Share | Diluted Net Income per Share |
|----------------------|----------------------|------------------------------|
| FY2006 Third Quarter | 76.61 | 76.44 |
| FY2005 Third Quarter | 58.04 | 58.01 |
| 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 consolidated net sales of ¥39,738 million, up 9.2% year on year, for the first nine months of fiscal 2006 (March 1, 2005 ~ November 30, 2005). In addition to buoyant levels of capital investment in the U.S. and Europe that continued from the interim period to support the performance of the Machine Tools segment, there was steady growth in sales of micro audio components. Due to factors such as the higher net sales and an improvement in profit margins, earnings rose significantly. Operating income increased 29.6% to ¥6,557 million, ordinary income surged 33.8% to ¥6,785 million, and net income climbed 32.0% to ¥4,085 million.

Performance by Segment

(Special Products)

In the absence of any noteworthy developments in China's VAT and regional tax projects, sales of computer printers for the Chinese market declined. However, sales of point-of-sale (POS) printers were on par with the same period a year earlier, despite a slight decrease in sales from large orders in the U.S. and Europe. These factors led to a decline in segment sales of 6.9% to ¥9,031 million.

Operating income dropped 21.5% to ¥981 million.

(Components)

Sales of electronic buzzers fell year on year despite demand for use in lower-priced mobile phones, digital music players and digital cameras. Sales of receivers, speakers and other products, however, grew as they were increasingly adopted by leading mobile phone manufacturers and other clients. As a result, segment sales increased 18.0% to ¥8,223 million. Operating income surged 133.0% to ¥1,286 million on the back of higher sales, cost reductions and other factors.

(Machine Tools)

Sales of machine tools in Japan were affected by a slight weakening in demand. However, this was more than compensated for by strong demand in the U.S. and European markets, especially in the U.S. and Germany, leading to an increase of 14.0% in segment sales to ¥19,111 million. Operating income rose 21.9% to ¥5,016 million due to the higher sales and other factors.

(Precision Products)

Sales of wristwatch components declined due to lower unit prices and inventory cutbacks at watch manufacturers. However, segment sales increased 14.3% to ¥3,370 million, supported by higher sales of non-wristwatch components due to strong sales of small HDD components and the consolidation of a subsidiary manufacturing car audio components in Shanghai from the current fiscal year. Operating income climbed 52.9% to ¥863 million.

(2) Financial position (consolidated)

| | Total Assets (Millions of yen) | Total Shareholders' Equity (Millions of yen) | Shareholders' Equity Ratio (%) | Shareholders' Equity per Share (¥) |
|----------------------------------|-----------------------------------|--|--------------------------------------|--|
| November 30, 2005 | 64,963 | 52,355 | 80.6 | 980.22 |
| November 30, 2004 | 60,958 | 47,592 | 78.1 | 892.74 |
| February 28, 2005 (reference) | 60,012 | 47,753 | 79.6 | 895.68 |

[Qualitative Data Related to Financial Position]

As of November 30, 2005, total assets on a consolidated basis stood at ¥64,963 million, an increase of approximately ¥4,950 million compared with the end of the previous fiscal year. This was attributable to an increase in property, plant and equipment due to plant expansion and other factors, as well as increases in trade notes and accounts receivable, and inventories, as sales rose. Liabilities were largely the same as at February 28, 2005 due to a decline in trade notes and accounts payable and an increase in other liabilities. Shareholders' equity increased ¥4,601 million from February 28, 2005 due to the increase in net income and other factors.

3. Consolidated Full-year Earnings Forecast for Fiscal 2006 (March 1, 2005 ~ February 28, 2006)
(Millions of yen)

| | Net Sales | Ordinary Income | Net Income |
|--------|-----------|-----------------|------------|
| FY2006 | 54,600 | 8,000 | 4,750 |

[Qualitative Data Related to Earnings Forecast]

The Company has revised its original full-year forecasts for fiscal 2006 in light of the business performance through the end of the third quarter. For further details, please refer to the separate press release, "Revision of Full-year 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.