

Consolidated Earnings Report for the Fiscal Year Ended February 29, 2008

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange
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 Inquiries: Hajime Sato, Senior Managing Director Scheduled annual general meeting of shareholders: May 29, 2008 Scheduled payment of dividends: May 30, 2008
 Scheduled release of fiscal 2008 business report: May 29, 2008

(Figures less than one million are rounded down)

1. Consolidated Results for the Fiscal Year Ended February 29, 2008 (From March 1, 2007 to February 29, 2008)

(1) Consolidated Operating Results

(Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Year Ended February 29, 2008	73,883	17.9	14,651	40.3	15,170	39.7	8,080	15.2
Year Ended February 28, 2007	62,670	14.4	10,444	28.8	10,862	29.5	7,012	36.1

	Net Income per Share	Diluted Net Income per Share	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	(¥)	(¥)	%	%	%
Year Ended February 29, 2008	150.74	150.47	12.8	18.7	19.8
Year Ended February 28, 2007	131.09	130.73	12.2	15.2	16.7

Reference: Equity in earnings of affiliated companies

Year ended February 2008 - Year ended February 2007 -

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 29, 2008	86,375	66,601	76.2	1,227.59
As of February 28, 2007	76,194	61,395	79.9	1,137.05

Reference: Shareholders' Equity

As of February 29, 2008 ¥65,843 million As of February 28, 2007 ¥60,890 million

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Year-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year Ended February 29, 2008	10,666	(8,072)	(2,151)	21,824
Year Ended February 28, 2007	10,711	(3,168)	(1,330)	21,196

2. Dividends

(Record date)	Dividends Per Share			Dividends Total (Year)	Dividend Payout Ratio (Consolidated)	Dividend on Equity Ratio (Consolidated)
	Interim	Year-end	Full Year			
	(¥)	(¥)	(¥)	(¥ million)	%	%
FY2008	26.00	30.00	56.00	3,002	37.2	4.7
FY2007	14.00	18.00	32.00	1,712	24.4	3.0
FY2009 (projected)	30.00	30.00	60.00		39.7	

3.Consolidated Outlook for the Fiscal Year Ending February 28, 2009 (From March 1, 2008 to February 28, 2009)
(Percentages represent changes over the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net income		Net Income per Share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Interim	33,600	(3.1)	4,850	(25.1)	5,140	(24.3)	2,950	(25.6)	55.00
Full Year	72,100	(2.4)	12,100	(17.4)	12,700	(16.3)	8,100	0.2	151.02

4.Others

- (1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation): None
- (2) Changes in principles, procedures and classifications of accounting standards associated with the preparation of consolidated financial statements(described in "Changes in Significant Accounting Policies Used in Preparation of Consolidated Financial Statements")
- (i) Changes associated with revised accounting standards: Yes
- (ii) Changes other than those in (i) above: None
- (3) Number of shares issued and outstanding (common stock)
- (i) Number of shares issued and outstanding at period-end (including treasury stock)
As of February 29, 2008: 54,533,234 shares As of February 28, 2007: 54,533,234 shares
- (ii) Number of treasury stock at period-end
As of February 29, 2008: 897,383 shares As of February 28, 2007: 981,544 shares

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Results for the Fiscal Year Ended February 29, 2008 (March 1, 2007 to February 29, 2008)

(1) Non-consolidated Operating Results

(Percentages represent changes over the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Year Ended February 29, 2008	49,979	8.7	7,176	14.1	8,160	14.7	5,247	13.3
Year Ended February 28, 2007	45,966	13.2	6,287	42.9	7,115	42.8	4,630	50.3

	Net Income per Share	Diluted Net Income per Share
	(¥)	(¥)
Year Ended February 29, 2008	97.89	97.72
Year Ended February 28, 2007	86.56	86.33

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 29, 2008	62,297	50,857	81.6	948.20
As of February 28, 2007	58,821	48,410	82.3	903.99

Reference: Shareholders' Equity

As of February 29, 2008: ¥50,857 million

As of February 28, 2007: ¥48,410 million

※Regarding the appropriate use of earnings projections, and other special matters

The above projections are based on information available at the time of release of this report. Actual results may differ materially from projections due to a variety of factors.

For further details on cautionary matters regarding projections and their underlying assumptions, please refer to page 5-6.

Operating Results

Analysis of Operating Results

(i) Fiscal 2008 operating results

During fiscal 2008, the fiscal year ended February 29, 2008, the US economy recorded a high rate of growth in the first half of the fiscal year, but owing to the impact of the subprime loan problem, the trend of slowing growth intensified through the end of the year. In Europe, external demand was favorable and domestic demand was also robust. In Asia, the Chinese economy continued to grow at a high rate while other countries also showed a strong performance mainly in exports. Furthermore, the Japanese economy continued to show a moderate recovery, supported mainly by increased exports stemming from favorable conditions in the global economy.

With regard to the major markets in which the Star Micronics Group operates, in the machine tools market, the order environment remained at a high level primarily in the European region. In the printer market, demand broadened in Europe and the US, as well as in emerging economies, and applications expanded in a wide range of areas. In the mobile phone market, which is the major source of demand for the Group's micro audio components, demand continued to increase dramatically in the Asian region, including China and India. However, in the precision products markets, demand for wristwatches continued to decline.

Against this backdrop, the Group expanded its business activities with the aim of boosting sales and raising profit margins. For example, we expanded production capacity to meet growing demand, established an overseas factory, and developed markets in emerging economies where growth is remarkably vigorous. As a result, in the Machine Tools Segment, burgeoning capital investment demand, primarily in Europe, and the Group's aggressive sales activities bore fruit, leading both sales and profits to reach new record high levels, following those recorded in the previous fiscal year. POS printers in the Special Products Segment maintained the strong performance achieved in the previous fiscal year, and sales increased steadily mainly due to the acquisition of large contracts. Furthermore, in the Components Segment, sales of microphones and speakers rose sharply through the second half of the fiscal year in response to demands for higher production from major mobile phone manufacturers. In the Precision Products Segment, however, sales declined, as the market environment for wristwatch components remained challenging, and sales of components for hard disk drives (HDDs) used in portable digital music players, which had sold well through the previous fiscal year, recorded a drop in sales.

As a result of the above factors, Star Micronics reported consolidated sales of ¥73,883 million, up 17.9% year on year, in fiscal 2008. Primarily owing to higher sales of machine tools and POS printers, which generate high profit margins, operating income surged 40.3% to ¥14,651 million and ordinary income climbed 39.7% to ¥15,170 million. Although the Group posted an extraordinary loss associated with the withdrawal from the computer printer business, net income rose 15.2% to ¥8,080 million. Consequently, the Group achieved a fifth consecutive year of sales and profit growth.

Performance by segment was as follows:

(Special Products)

The Group expanded aggressive marketing activities for POS printers in the core US and European markets as well as in the markets of emerging economies, where demand is growing. The TSP100, which has won high acclaim as a multifunctional thermal printer, recorded an increase in sales to agents. In addition, based on its extensive product lineup, the segment boosted printer sales through the acquisition of large contracts in a wide range of product segments, including POS registers, lottery ticket machines and kiosk terminals, and the acquisition of demand in emerging markets. In the Chinese market as well, moves to introduce a local tax collection system were apparent in some regions.

As a result of the above, segment sales rose 9.9% to ¥17,148 million. Supported by this sales growth and other factors, operating income soared 47.7% to ¥3,982 million.

In addition, the Group decided to withdraw from the computer printer business, and the aim is to complete the withdrawal at the end of this year.

(Components)

In the mobile phone market, which is the core market of this business segment, sales of microphones increased sharply due to the adoption of new compact and highly functional products in mid-range and high-end handset models. At the same time, sales of receivers were robust due to their adoption in low-end handset models in emerging markets, where demand is growing. In addition, sales of speakers roughly doubled year on year, as new, more compact products were adopted in mid-range and high-end handset models. In contrast, sales of electronic buzzers decreased, as these components are being phased out from mobile phones. Nevertheless, they received high acclaim as new products that meet environmental and safety standards in automobile-related markets. In the area of manufacturing, the Group endeavored to expand capacity at its manufacturing plants in China to cater for growing demand.

Segment sales increased 22.8% to ¥12,062 million. However, operating income fell 46.1% to ¥235 million. Although profitability recovered in tandem with an increase in sales in the second half of the year, selling prices declined and sales volume decreased in the first half, leading to the drop in segment operating income.

(Machine Tools)

Domestic demand for CNC automatic lathes showed signs of a lull, but the Group continued to acquire a high level of orders overseas in a wide range of industries, especially electrical machinery, precision machinery, and automobiles in Europe. In this environment, the Group worked to introduce new products and expand the lineup, promote proactive marketing activities, and strengthen the service organization by increasing the number of technical staff and adopting other initiatives. On the product front, the SR series, including the newly introduced SR-20RIII, which has won acclaim for its high productivity and machine rigidity, and the SB-16 series, which displays outstanding cost performance, continued to gain strong support from customers, leading to substantial sales growth.

In manufacturing, with the aim of enhancing production efficiency to meet growing demand, the Group took steps to expand new factory space at domestic and overseas factories while installing cost-saving equipment.

Sales in this segment rose 24.1% to ¥40,304 million while operating income surged 42.0% to ¥11,971 million. Consequently, both sales and operating income recorded record highs for the fourth consecutive year.

(Precision Products)

Sales of wristwatch components inevitably declined due to the impact of a shrinking watch movement market in volume terms and a shift to small multi-lot production by Japanese manufacturers as they focus on high-value-added products. Meanwhile, in non-wristwatch components, sales of HDD components were robust, reflecting increasing demand for laptop computers and car navigation systems, but sales of HDD components for portable music players declined. Moreover, sales of components for car audio equipment produced by our Chinese subsidiary also increased on the back of expansion in the Chinese automobile market. In April 2007, we also established S&K Precision Technologies (Thailand) Co., Ltd., which undertakes precision component processing on a contract basis in Thailand.

As a result, segment sales declined 8.2% to ¥4,368 million. Operating income also fell 31.4% to ¥850 million due to the decline in sales and the burden of start-up costs for the newly established subsidiary in Thailand.

(ii) Earnings forecasts for fiscal 2009

The outlook for economic conditions in fiscal 2009, the year ending February 28, 2009, has become increasingly uncertain. This is because the US economy, which drove global economic growth during the past several years, has entered a slowdown phase and there are concerns that the impact of this will extend to the economies of Europe and Asia.

In light of this outlook, after estimating the impact of foreign exchange factors, Star Micronics forecasts a 2.4% decrease in sales to ¥72,100 million, a 17.4% decline in operating income to ¥12,100 million, and a 16.3% drop in ordinary income to ¥12,700 million. However, we forecast a 0.2% increase in net income to ¥8,100 million, which reflects the absence of an extraordinary loss posted in fiscal 2008. These forecasts assume exchange rates of ¥100/US\$ and ¥155/€

Star Micronics has adopted the following earnings forecasts for each business segment.

(Special Products)

In POS printer business, we expect the US and European markets to remain strong, and there are ongoing moves to introduce a local tax collection system in the Chinese market. Against this backdrop, we intend to launch new products while promoting marketing activities in emerging markets and other regions. However, we are projecting a decline in sales of computer printers due to the withdrawal from this business. As a result, we estimate that overall segment sales will decline 13.1% year on year to ¥14,900 million and that operating income will fall 27.2% to ¥2,900 million. These forecasts reflect the impact of the projected decline in computer printer sales and foreign exchange factors.

(Components)

In the mobile phone market, the main market to which Star Micronics supplies its components, demand is likely to continue to expand mainly in emerging economies in fiscal 2009. In this environment, we intend to aggressively promote marketing activities to companies other than existing customers. As a result, we estimate that segment sales will increase 11.9% to ¥13,500 million. We also expect operating income to grow 324.5% to ¥1,000 million due to higher sales and other factors.

(Machine Tools)

We expect the order environment to be robust overall, although there will be variations in different regions. In these circumstances, we plan to launch highly competitive new products that are tailored to market needs and to cultivate emerging markets with high rates of growth. As a result, although we expect sales volume to remain at the same level as last year, after also taking into account the impact of foreign exchange factors, we forecast a 2.7% drop in segment sales to ¥39,200 million. We also forecast a 16.5% decline in operating income to 10,000 million.

(Precision Products)

Wristwatch components are continuing to face a challenging environment due to the impact of factors such as declining sales volume. However, in the case of non-wristwatch components we are projecting an increase in sales of HDD components and new processed components. In light of this, we forecast a 3.0% increase in sales to ¥4,500 million, but we estimate that operating income will fall 29.4% to ¥600 million, due in part to an increase in costs.

(Figures less than one million are rounded down)

(¥ million)

		Fiscal 2007 Actual	Fiscal 2008 Actual	YoY Change (%)	Fiscal 2009 Forecast	YoY Change	
						Amount	(%)
Special Products	Net Sales	15,608	17,148	9.9	14,900	(2,248)	(13.1)
	Operating Income Ratio (%)	2,695 17.3	3,982 23.2	47.7	2,900 19.5	(1,082)	(27.2)
Components	Net Sales	9,826	12,062	22.8	13,500	1,437	11.9
	Operating Income Ratio (%)	437 4.5	235 2.0	(46.1)	1,000 7.4	764	324.5
Machine Tools	Net Sales	32,479	40,304	24.1	39,200	(1,104)	(2.7)
	Operating Income Ratio (%)	8,427 25.9	11,971 29.7	42.0	10,000 25.5	(1,971)	(16.5)
Precision Products	Net Sales	4,756	4,368	(8.2)	4,500	131	3.0
	Operating Income Ratio (%)	1,239 26.1	850 19.5	(31.4)	600 13.3	(250)	(29.4)
Eliminations or Corporate		(2,355)	(2,387)		(2,400)	(12)	
Consolidated	Net Sales	62,670	73,883	17.9	72,100	(1,783)	(2.4)
	Operating Income Ratio (%)	10,444 16.7	14,651 19.8	40.3	12,100 16.8	(2,551)	(17.4)