

June 28, 2012

## Fiscal 2013 First-quarter Consolidated Earnings Report (Japanese GAAP)

Company name: Star Micronics Co., Ltd.

Stock listing: First Section, Tokyo Stock Exchange

Code: 7718

URL <http://www.star-m.jp>

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Scheduled release of Fiscal 2013 First-quarter Business Report: July 12, 2012

Scheduled payment of dividends: -

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: None

(Figures less than one million are rounded down)

### 1. Results for the First Quarter of Fiscal 2013 (March 1, 2012 to May 31, 2012)

(1) Consolidated Operating Results (Percentages represent changes over the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
FY2013 First Quarter	9,686	6.2	439	(8.6)	514	(15.1)	523	100.2
FY2012 First Quarter	9,123	11.9	481	—	605	—	261	—

(Note) Equity in earnings of affiliated companies FY2013 First Quarter ¥1,769 million(114.7%) FY2012 First Quarter ¥824 million( - %)

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY2013 First Quarter	12.44	—
FY2012 First Quarter	6.07	—

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of May 31, 2012	53,521	38,210	70.3
As of February 29, 2012	51,924	36,980	70.2

Reference: Shareholders' Equity

As of May 31, 2012 ¥37,630 million As of February 29, 2012 ¥36,477 million

### 2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2012	—	13.00	—	13.00	26.00
FY2013	—	—	—	—	—
FY2013(projected)	—	15.00	—	15.00	30.00

(Note) Changes to the latest dividend forecast announced: None

### 3. Consolidated Outlook for the Fiscal Year Ending February 28, 2013 (From March 1, 2012 to February 28, 2013)

(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	19,100	(3.3)	1,200	(17.0)	1,300	(15.9)	2,000	110.1	47.53
Full Year	39,300	(5.7)	2,800	(29.2)	3,000	(25.5)	3,200	31.9	76.05

(Note) Changes to the latest consolidated results forecast announced: None

\*Note

- (1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation) : None  
New company: — (Company name) , Excluded company: — (Company name)
- (2) Adoption of special accounting treatment used in preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, estimates and restatement or corrections
- (i) Changes associated with revised accounting standards: Yes
  - (ii) Changes other than those in (i) above: None
  - (iii) Changes in accounting estimates: None
  - (iv) Retrospective restatement: None
- (Note) Please see 2. Summary Information (Others), (1) Changes in accounting policies, accounting estimates and restatement of corrections on page 4 of the attachment

- (4) Number of shares issued and outstanding (common stock)

- (i) Number of shares issued and outstanding at period-end (including treasury stock)

As of May 31, 2012	47,033,234 shares	As of February 29, 2012	47,033,234 shares
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- (ii) Number of treasury stock at period-end

As of May 31, 2012	4,957,449 shares	As of February 29, 2012	4,957,248 shares
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- (iii) Average number of outstanding shares (during the three months ended May 31)

As of May 31, 2012	42,075,805 shares	As of May 31, 2011	43,076,323 shares
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\* Disclosure regarding progress of quarterly review procedures

This quarterly earnings report is not subject to quarterly reviews stipulated in the Financial Instruments and Exchange Act of Japan. As of the time this report was released, the Company has not completed review procedures for the quarterly consolidated financial statements based on the Financial Instruments and Exchange Act.

\* Regarding the appropriate use of earnings projections and other noteworthy matters

The above projections are based on information available at the time of release of this report and certain assumptions the Company considers reasonable. Actual results may differ materially from projections due to a variety of factors. For information regarding the assumptions and other matters related to earnings projections in this report, refer to "(3) Qualitative Information Concerning the Consolidated Earnings Projections "under" 1. Qualitative Financial Information " page 4.

## 1. Qualitative Financial Information

### (1) Qualitative Information Related to Consolidated Operating Results

During the first quarter of the fiscal year ending February 28, 2013, the U.S. economy continued to mount a modest recovery. By contrast, debt concerns weighed heavily on European economies, which were sluggish overall. In Asia, the pace of growth in China slowed, although a turnaround was apparent in other countries in the region. In Japan, there were signs that the economy was recovering from the Great East Japan Earthquake.

In the major markets in which the Star Micronics Group operates, the Machine Tools Segment saw firm demand primarily from the U.S. and European markets, despite lingering economic uncertainty. In the Special Products Segment, robust demand from markets in the Americas was countered by deteriorating market prices due to an economic slowdown in China. In the Precision Products Segment, Japanese wristwatch manufacturers and automakers continued to ramp up production.

Amid this environment, the Star Micronics Group bolstered its production and sales frameworks and developed new products, with emphasis on emerging markets in Asia, South America and other projected growth regions. In the Machine Tools Segment, sales in the Japanese, U.S. and Asian markets improved, tracking firm capital investments as automakers increased production. Sales were lower in European markets, however; reflecting uncertainty in the face of debt-related concerns. In the Special Products Segment, sales growth was centered on thermal printers for the respective POS markets of North America, South America and Japan. In the Precision Products Segment, while sales of wristwatch components continued to grow, year-on-year sales of non-wristwatch components were flat overall.

As a result of the above factors, Star Micronics reported consolidated net sales of ¥9,686 million, up 6.2% year on year, for the first quarter of fiscal 2013. As regards profits, increased expenses and other factors resulted in operating income of ¥439 million, down 8.6% year on year, and ordinary income was ¥514 million, down 15.1% year on year. However, the Group posted net income of ¥523 million, an increase of 100.2% year on year, attributed primarily to a gain on sale of investment securities posted as an extraordinary gain.

Performance by segment was as follows.

#### (Special Products)

In POS printers, sales of thermal printers were brisk, particularly for the POS market in the Americas. Sales in European markets were also comparable to the previous fiscal year despite being impacted by debt-related concerns. In Japan, while sales of thermal printers grew, most notably for the POS market, sales of dot-matrix printers in Asia declined, mainly in reaction to the economic slowdown in China.

As a result, while segment sales improved 1.8% year on year to ¥1,910 million, operating income declined 86.8% to ¥16 million.

#### (Components)

This segment is scheduled to be terminated at the end of the current fiscal year. In meeting its supply responsibilities to customers ahead of this closure, the Star Micronics Group is responding to final shipment requests and carrying out necessary tasks for the transfer of operations. Against this backdrop, sales rose in step with increased production by automakers, coupled with sales price revisions to keep pace with rising raw material prices.

As a result, sales in this segment rose 8.6% year on year to ¥831 million. The operating loss was ¥122 million, compared to an operating loss of ¥193 million a year earlier.

#### (Machine Tools)

The order environment for CNC automatic lathes remained strong despite growing concerns over fiscal policy and the financial situation in Europe, coupled with lingering economic uncertainty in the U.S. and China.

In this climate, sales in the U.S. market grew as capital investment gained momentum in the medical-related and automobile sectors. In the Asian market, while buying was subdued in East Asia in reaction to a strong yen, sales were brisk overall, buoyed by robust capital investment among customers in the automobile and motorcycle-related sectors in Southeast Asia. In the Japanese market, sales rose atop a recovery in production mainly among automakers. However, sales in Europe, a major market for this segment, were lower, reflecting lackluster market conditions.

As a result, segment sales increased 6.8% year on year to ¥5,839 million, with operating income up 1.8% to ¥843 million.

#### (Precision Products)

Sales of wristwatch components increased, tracking brisk sales of Japanese wristwatches overall, coupled with the absence of adverse impacts reported in the previous fiscal year from the Great East Japan Earthquake. Sales of non-wristwatch components were essentially flat overall compared to a year earlier. While sales of HDD components to the Japanese market declined, this effect was mitigated as the Group responded to increased production by overseas HDD manufacturers in step with recovery from the massive flooding in Thailand. Sales of car audio components for overseas markets were also firm.

As a result, sales in this segment rose 9.1% year on year to ¥1,105 million, with operating income up 5.4% to ¥169 million.

Elsewhere, work is progressing for the full restoration in August 2012 of a Star Micronics Group production base in Ayutthaya, Thailand, which was damaged in last year's flooding.

### **(2) Qualitative Information Concerning Consolidated Financial Position**

Total assets at the end of the first quarter amounted to ¥53,521 million, up ¥1,596 million from February 29, 2012. The assets side of the balance sheet mainly saw an increase in inventories and property, plant and equipment. Total liabilities increased ¥366 million from the end of the previous fiscal year, primarily due to an increase in current and other liabilities, despite a decline in notes and accounts payable. Total net assets rose by ¥1,229 million compared to February 29, 2012, reflecting improvement in foreign currency translation adjustments.

### **(3) Qualitative Information Concerning the Consolidated Earnings Projections**

Earnings projections have been left unchanged from the projections announced on April 11, 2012.

## **2. Summary Information (Others)**

### **(1) Changes in accounting policies, accounting estimates and restatement of corrections**

(Application of accounting standards concerning net income per share)

From the first quarter of the year ending February 28, 2013, the Company has applied the "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan [ASBJ] Statement No.2, June 30, 2010), the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4, June 30, 2010), and the "Practical Solution on Accounting for Earnings Per Share" (ASBJ PITF No.9, June 30, 2010).

The Company has changed its method for calculating quarterly diluted net income per share as follows. For stock options that vest after a specified service period, the fair value of service expected to be provided to the Company in the future is included in the cash proceeds assumed to be received upon exercise of the stock options.

In terms of diluted net income per share had these accounting standards not been adopted, this figure has been omitted since there were no diluted shares.

### **(2) Additional Information**

(Application of accounting standard for accounting changes and error corrections)

Effective March 1, 2012, the Company has adopted the "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan (ASBJ) Statement No. 24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) for any future accounting changes or correction of past errors.