

April 10, 2013

Consolidated Earnings Report for the Fiscal Year Ended February 28, 2013 (Japanese GAAP)

Company name: Star Micronics Co., Ltd.

Stock listing: First Section, Tokyo Stock Exchange

Code no.: 7718 URL <http://www.star-m.jp>

Representative Director: Hajime Sato, President and CEO

Inquiries: Mamoru Sato, Director and Executive Officer, General Manager, General Administration Headquarters

TEL +81-54 -263-1111

Scheduled annual general meeting of shareholders: May 23, 2013

Scheduled payment of dividends: May 24, 2013

Scheduled release of fiscal 2013 business report: May 24, 2013

Preparation of supplementary explanatory materials for earnings report: Yes

Earnings presentation: Yes

(Figures less than one million are rounded down)

1. Consolidated Results for the Fiscal Year Ended February 28, 2013 (From March 1, 2012 to February 28, 2013)

(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 28, 2013	37,858	(9.1)	1,579	(60.0)	2,254	(44.0)	2,299	(5.2)
Year Ended February 29, 2012	41,654	16.6	3,952	176.6	4,025	237.1	2,426	-

(Note) Comprehensive income

Year ended February 2013 4,888 ¥ million (151.7 %) Year ended February 2012 1,942 ¥ million (- %)

	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 28, 2013	54.66	-	6.0	4.3	4.2
Year Ended February 29, 2012	56.94	-	6.7	8.0	9.5

Reference: Equity in earnings of affiliated companies

Year ended February 2013 - ¥ million

Year ended February 2012 - ¥ million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 28, 2013	52,564	40,710	76.1	951.14
As of February 29, 2012	51,924	36,980	70.2	866.94

Reference: Shareholders' Equity

As of February 28, 2013 ¥40,019 million

As of February 29, 2012 ¥36,477 million

(3) Consolidated Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Year-end Cash and Cash Equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Year Ended February 28, 2013	483	(1,907)	(1,201)	13,198
Year Ended February 29, 2012	4,466	(393)	(2,092)	14,735

2. Dividends

	Dividends per Share					Dividends Total (Year)	Dividend Payout Ratio (Consolidated)	Dividend on Equity Ratio (Consolidated)
	1Q end	2Q end	3Q end	Year-end	Full Year			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
FY2012	-	13.00	-	13.00	26.00	1,106	45.7	3.0
FY2013	-	15.00	-	15.00	30.00	1,262	54.9	3.3
FY2014 (projected)	-	17.00	-	17.00	34.00		62.2	

3. Consolidated Outlook for the Fiscal Year Ending February 28, 2014 (From March 1, 2013 to February 28, 2014)

(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	18,300	(6.6)	700	(41.3)	800	(37.5)	400	(79.3)	9.51
Full Year	40,000	5.7	3,300	108.9	3,500	55.2	2,300	0.0	54.66

*Notes

(1) Significant changes in subsidiaries during the period under review (changes in certain specified subsidiaries resulting in revised scope of consolidation): None
 New company: None
 Excluded company: None

(2) Changes in principles, procedures and classifications of accounting standards

- (i) Changes associated with revised accounting standards: Yes
- (ii) Changes other than those in (i) above: None
- (iii) Changes in accounting estimates: Yes
- (iv) Retrospective restatement: 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 28, 2013	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 February 28, 2013	4,957,879 shares	As of February 29, 2012	4,957,248 shares
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(iii) Average number of outstanding shares

For the 12-month ended February 28, 2013	42,075,556 shares	For the 12-month ended February 29, 2012	42,621,031 shares
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(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Results for the Fiscal Year Ended February 28, 2013 (March 1, 2012 to February 28, 2013)

(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 28, 2013	27,326	(8.8)	(1,005)	-	2,238	(9.3)	2,501	(22.4)
Year Ended February 29, 2012	29,960	17.4	665	-	2,467	(11.2)	3,225	52.8

	Net Income per Share	Diluted Net Income per Share
Year Ended February 28, 2013	59.46 (¥)	- (¥)
Year Ended February 29, 2012	75.68	-

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	(¥ million)	(¥ million)	%	(¥)
As of February 28, 2013	43,687	34,607	79.1	821.69
As of February 29, 2012	44,967	33,041	73.5	785.02

Reference: Shareholders' Equity

As of February 28, 2013 ¥34,572 million

As of February 29, 2012 ¥33,030 million

*Disclosure regarding status of auditing procedure enactment

This earnings report is not subject to the auditing procedures stipulated by Japan's Financial Instruments and Exchange Act. Consequently, auditing procedures for financial statements based on the Financial Instruments and Exchange Act were not completed as of date of release of this report.

*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 and certain assumptions the Company considers reasonable. The Company does not promise that these projections will be achieved. 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 "1. Analysis of Operating Results (Outlook for Fiscal 2014)" under "(1) Current State of the Star Micronics Group" page 4.

1. Analysis of Operating Results

(1) Current State of the Star Micronics Group

(i) Business progress and results

During the fiscal year ended February 28, 2013, the U.S. economy saw a modest recovery. By contrast, European economies were sluggish overall due to the impact of the sovereign debt problems on the real economy. In Asia, the pace of growth slowed, particularly in China. In Japan, there were signs that the economy was recovering, but it could not avoid the impact of the slowing down of the world economy. The yen's exchange rate remained at a high level overall.

In the major markets in which the Star Micronics Group operates, demand in the Machine Tools Segment was impacted by the increased slowdown in the second half in the Asian market, where growth had continued, in addition to the business recession in Europe. In the Special Products Segment, the effect of robust demand from markets in the Americas and Japan was offset by deteriorating market prices in Europe and China. In the Precision Products Segment, demand fell across the board including for non-wristwatch components, as wristwatch makers adjusted their output, affecting wristwatch component demand.

Amid this environment, the Star Micronics Group focused its business activities on those with an emphasis on emerging markets in Asia, South America and other projected growth regions, along with the European and U.S. markets, and bolstered its production and sales frameworks and developed new products. As regards the Components Segment, we focused our efforts on selling it and closing it down.

As a result of the above factors, Star Micronics reported consolidated net sales of ¥37,858 million, down 9.1% year on year, for fiscal 2013. As regards profits, the decline in sales and other factors resulted in substantial declines in operating income of ¥1,579 million, down 60.0% year on year, and ordinary income to ¥2,254 million, down 44.0% year on year. However, the Group posted net income of ¥2,299 million, thereby holding the decrease to 5.2% year on year, attributed primarily to insurance income on damage from the flooding in Thailand that was posted as an extraordinary gain.

Performance by segment was as follows:

(Special Products)

In POS printers, sales of thermal printers rose on the back of increased demand in the North American market, where business conditions are recovering, and from contributions in Japan from sales for the POS market and new contracts that were won in the public sector. However, sales of dot-matrix printer declined mainly due to stagnant demand in Europe as a consequence of restrained capital investment caused by the European debt problem, and to the impact in the Asian market of the slowdown in growth in the Chinese economy.

As a result, net sales for the segment were mostly unchanged year on year at ¥7,806 million and operating income declined a substantial 55.7% to ¥257 million.

(Components)

This segment is scheduled to be terminated even as the Star Micronics Group is continuing to make deliveries in meeting its supply responsibilities to customers. Against this backdrop, sales for the automobile market 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 9.8% year on year to ¥3,233 million. The operating loss was ¥191 million, compared to an operating loss of ¥955 million a year earlier.

The Group ceased production and sales of microphones and receivers at the end of the fiscal year under review.

(Machine Tools)

Demand for CNC automatic lathes on the whole slowed down more, mainly due to sluggish demand in Europe caused by the region's fiscal and financial problems, and an increasingly uncertain outlook for the Chinese and Asian economies.

In this climate, sales by region were as follows. Although sales in Asia increased due to robust capital investment among customers in the electrical machinery and automobile sectors, conditions were sluggish in the European market and core sales in Europe fell substantially. Sales in the Japanese market fell in the second half, despite an increase in production among automakers in the first half. In the U.S. market, sales decreased despite capital investments in the medical equipment and automotive-related sectors.

As a result of the above, segment sales declined 14.0% to ¥22,897 million, while operating income fell a

significant 41.8% to ¥3,120 million.

The Group commenced sales of the new SR-20RIV model as an addition to its bestselling SR series of CNC Swiss-type multi-axis lathes in November. Prior to this, the SR-20RIV had been unveiled in September for international exhibition at the IMTS 2012 in the U.S. and the AMB 2012 in Germany. The model was then shown at the JIMTOF 2012 exhibition in Japan in November. In addition, the Group also unveiled the SB-20R type N, the first non-guide bush model in the SB series of core lathes. As regards the Thai plant under construction, part of the work has been completed and the preparation for starting operations is proceeding.

(Precision Products)

Sales of wristwatch components fell as wristwatch makers expanded their production cutbacks in the second half accompanying increases in inventories in the wristwatch movement market. Sales of non-wristwatch components also declined, because after a favorable performance in the first half sales of components for overseas car audio equipment fell in the second half, and sales of components for small hard disk drives (HDDs) were impacted by production cutbacks due to the slump in PC sales.

As a result of the above, segment sales declined 8.0% to ¥3,922 million, while operating income fell a significant 53.3% to ¥355 million.

Operation of a Star Micronics Group production base in Ayutthaya, Thailand, which was damaged by the flooding last fiscal year, was restored by August of last year.

Outlook for Fiscal 2014

The outlook for fiscal 2014 for the global economy continues to be uncertain. While a gradual recovery is projected for the global economy as a whole, various problems remain, including Europe's fiscal and financial woes.

Under the circumstances, and with contributions from an improvement in the foreign exchange environment, consolidated business performance in the coming fiscal year is expected to see an increase in sales to the Asian market in the mainstay Machine Tools Segment. In the Special Products Segment, sales of thermal printers are expected to be favorable, centered on overseas markets. Sales of non-wristwatch components in the Precision Products Segment are projected to rise.

As a result, the Group is forecasting net sales of ¥40,000 million, an increase of 5.7% year on year. On the earnings front, the Group forecasts operating income of ¥3,300 million, an increase of 108.9% year on year, mainly due to the increase in net sales, and ordinary income of ¥3,500 million, up 55.2% year on year. The net income of ¥2,300 million is on a par with the previous fiscal year.

These projections assume a foreign exchange rate of ¥90 to \$1, and ¥120 to 1 euro.

(2) Analysis of Financial Position

(i) Total Assets, Total Liabilities and Net Assets

Total assets as of February 28, 2013 were ¥52,564 million, up ¥639 million from February 29, 2012. This was primarily due to an increase in property, plant and equipment resulting despite a decline in cash and cash equivalents, and trade notes and accounts receivable. Total liabilities were ¥11,854 million, down ¥3,090 million from the end of the previous fiscal year. This was mainly attributable to a decrease in trade notes and accounts payable. Net assets stood at ¥40,710 million, up ¥3,730 million from February 29, 2012. This was due to an improvement in foreign currency translation adjustment and an increase in retained earnings.

(ii) Cash flows

Cash and cash equivalents as of February 28, 2013 were ¥13,198 million, down ¥1,537 million from February 29, 2012. This was the result of ¥1,907 million and ¥1,201 million in net cash used in investing and financing activities respectively during the year ended February 28, 2013 that was partly offset by ¥483 million in net cash provided by operating activities, and a translation adjustment on cash and cash equivalents.

(Operating Activities)

During the fiscal year ended February 28, 2013, operating activities provided net cash of ¥483 million, down from ¥4,466 million provided in the previous fiscal year. The main contributing factors were decreases in trade payables and other-net, despite income before income taxes including insurance benefits received, and depreciation and amortization expenses.

(Investing Activities)

Investing activities used net cash of ¥1,907 million, up from ¥393 million used in the year before, mainly to purchase property, plant and equipment associated with building a new factory for the Machine Tools business.

(Financing Activities)

Financing activities used net cash of ¥1,201 million, down from ¥2,092 million used in the previous fiscal year, mainly to pay dividends to shareholders.

(Trends in Cash Flow Related Indices)

	FY2 2009	FY2 2010	FY2 2011	FY2 2012	FY2 2013
Equity Ratio (%)	81.5	80.1	73.9	70.2	76.1
Market Value Basis Equity Ratio (%)	60.7	76.3	81.3	65.3	75.5
Debt / Cash Flow Ratio(Years)	0.3	0.4	0.6	0.4	4.1
Interest Coverage Ratio(Times)	328.5	309.9	240.7	373.9	35.9

(Note)	1 Equity Ratio	: Shareholders Equity / Total Assets
	2 Market Value Basis Equity Ratio	: Market Capitalization/ Total Assets
	3 Debt / Cash Flow Ratio	: Debt/ Cash Flows
	4 Interest Coverage Ratio	: Cash Flows/Interest Payments

*Calculation based on the consolidated basis financial figures.

*Market capitalization is calculated by multiplying the closing price as of the end of the fiscal year by the total number of shares issued and outstanding (excluding treasury stock).

*“Cash flow” uses the net cash provided by operating activities from the consolidated cash flow statement. “Interest-bearing liabilities” comprises all the liabilities recorded on the consolidated balance sheet for which interest must be paid. “Interest payments” uses the amount of interest paid from the consolidated cash flow statement.

(3) Basic Dividend Policy and Dividends for This Fiscal Year and the Next

The Company 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%.

In accordance with this basic policy, Star Micronics plans to increase its year-end dividend to ¥15 per share, by ¥2 per share from the previous fiscal year. Consequently, dividends--including a ¥15 interim dividend--will be ¥30 per share for the year ended February 28, 2013. Furthermore, the Company has budget a ¥4 increase in these dividends to ¥34 per share, or an interim and year-end dividend of ¥17 each, for the year ending February 28, 2014.

Retained earnings will be used to invest in growth businesses with the aim of sustaining the Company's growth, enhancing corporate value and improving shareholder returns.