

June 27, 2013

Fiscal 2014 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 2014 First-quarter Business Report: July 12, 2013

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 2014 (March 1, 2013 to May 31, 2013)

(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)	%
FY2014 First Quarter	8,370	(13.6)	(62)	—	268	(47.8)	114	(78.0)
FY2013 First Quarter	9,686	6.2	439	(8.6)	514	(15.1)	523	100.2

(Note) Comprehensive income FY2014 First Quarter ¥2,018 million (14.0%) FY2013 First Quarter ¥1,769 million (114.7%)

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
FY2014 First Quarter	2.73	2.73
FY2013 First Quarter	12.44	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of May 31, 2013	54,858	42,258	75.6
As of February 28, 2013	52,564	40,710	76.1

Reference: Shareholders' Equity

As of May 31, 2013 ¥41,476 million As of February 28, 2013 ¥40,019 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2013	—	15.00	—	15.00	30.00
FY2014	—				
FY2014(projected)		17.00	—	17.00	34.00

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

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

(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, 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, 2013	47,033,234 shares	As of February 28, 2013	47,033,234 shares
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- (ii) Number of treasury stock at period-end

As of May 31, 2013	4,957,887 shares	As of February 28, 2013	4,957,879 shares
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- (iii) Average number of outstanding shares (during the three months ended May 31)

As of May 31, 2013	42,075,352 shares	As of May 31, 2012	42,075,805 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" on 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, 2014, the U.S. economy saw a modest recovery. By contrast, European economies experienced a continued slowdown due to the impact of the sovereign debt problems and fiscal austerity measures. In Asia, the pace of growth slowed, particularly in China. In Japan, there were signs that the economy was gradually recovering, supported by the yen's depreciation.

In the major markets in which the Star Micronics Group operates, demand in the Machine Tools Segment remained sluggish in the European market due to the economic slowdown, and demand was stagnant in the Japanese market as well. This was despite steady growth in demand in the U.S. and East Asian markets. In the Special Products Segment, the effect of relatively robust demand from markets in North America and Japan was offset by lackluster market conditions in Europe and China. In the Precision Products Segment, demand fell across the board as wristwatch makers adjusted their output, affecting wristwatch component demand. Demand also contracted for non-wristwatch components, mainly for the automotive-related sector.

Amid this environment, the Star Micronics Group focused its business activities on those with an emphasis on Southeast Asia, South America and other projected growth regions, along with the European and U.S. markets. While bolstering its production and sales frameworks, the Group pressed ahead with measures such as developing new products and pursuing research into new technologies.

As a result of the above factors, Star Micronics reported consolidated net sales of ¥8,370 million, down 13.6% year on year, for the first quarter of fiscal 2014. As regards profits, the decline in sales and other factors resulted in an operating loss of ¥62 million, compared to operating income of ¥439 million in the previous first quarter, and ordinary income was ¥268 million, down 47.8% year on year. The Group posted net income of ¥114 million, a substantial decrease of 78.0% year on year.

From the first quarter of the fiscal year ending February 28, 2014, the name of the former Components Segment has been changed to the Micro Audio Components Segment. This change in the segment name has had no impact on the segment information.

Performance by segment was as follows:

(Special Products)

In POS printers, sales of thermal printers rose on the back of robust growth in demand from markets in North America and Japan, where business conditions are recovering. However, sales of dot-matrix printers declined mainly due to stagnant demand in Europe reflecting the effects of the economic slowdown, and due to the impact in the Asian market of the sluggish pace of growth in the Chinese economy.

As a result, segment sales improved 0.9% year on year to ¥1,927 million and operating income increased 359.6% to ¥73 million.

(Micro Audio Components)

This segment is making preparations for its scheduled termination while ensuring that it continues to fulfill its supply responsibilities to customers.

As a result, sales in this segment decreased 20.7% year on year to ¥659 million. Operating income was ¥20 million, compared to an operating loss of ¥122 million in the same period a year earlier.

(Machine Tools)

In CNC automatic lathes, sales in the U.S. increased on the back of robust capital investments in the medical equipment and automotive-related sectors. Sales in the Asian market also rose atop growth in demand from the mobile device-related sector in East Asia. In contrast, sales in the mainstay European market decreased sharply due to lackluster market conditions. Furthermore, the outlook for the Japanese market continued to remain uncertain mainly due to the impact of the shift to offshore production by the manufacturing sector. Consequently, there was also a large decrease in sales in Japan.

As a result, segment sales decreased 15.2% year on year to ¥4,952 million, and operating income fell a significant 52.3% to ¥401 million.

The Group exhibited a new model of its bestselling SB series of CNC Swiss-type multi-axis lathes at the China International Machine Tool Show (CIMT) held in China in April. Furthermore, the Group completed construction of a

building for its new plant in Thailand, and conducted assembly of its first lot at the new plant in April.

(Precision Products)

Sales of wristwatch components fell due to the continuing impact of production cutbacks by wristwatch makers due to their weak sales. Sales of non-wristwatch components also declined overall. This mainly reflected sluggish sales of automobile-related components due chiefly to lackluster market conditions.

In addition, sales of components for small hard disk drives (HDDs) decreased year on year, following a special boost in demand in the first quarter of fiscal 2013 in the wake of the flooding in Thailand.

As a result of the above, segment sales declined 24.8% to ¥831 million, while the operating loss was ¥25 million, a large deterioration compared to operating income of ¥169 million in the same period last year.

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets as of the end of the first quarter amounted to ¥54,858 million, up ¥2,294 million from February 28, 2013. In addition to the overall impact of currency exchange rates, the change was mainly attributable to increases in inventories and property, plant and equipment, despite a decrease in cash and cash equivalents. Total liabilities amounted to ¥12,600 million, an increase of ¥746 million from the end of the previous fiscal year, primarily due to an increase in current liabilities-other. Total net assets amounted to ¥42,258 million, an increase of ¥1,547 million compared to February 28, 2013, mainly due to an increase 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 10, 2013.

2. Summary Information

Changes in accounting policies, accounting estimates and restatement of corrections
(Change in depreciation method)

Following the revision of the Corporation Tax Act, from the first quarter of the fiscal year ending February 28, 2014, Star Micronics and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after March 1, 2013 in accordance with the revised Corporation Tax Act. The impact of this change on profit and loss is minor.