

September 30, 2014

Fiscal 2015 Second-quarter Consolidated Earnings Report

Company name: Star Micronics Co., Ltd. Stock listing: First Section, Tokyo Stock Exchange
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Scheduled release of fiscal 2015 Second-quarter Business Report: October 14, 2014

Scheduled payment of dividends: November 10, 2014

Preparation of supplementary explanatory materials for quarterly earnings report: Yes

Quarterly earnings presentation: Yes

(Figures less than one million are rounded down)

1. Results for the Second Quarter of Fiscal 2015 (March 1, 2014 to August 31, 2014)

(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)	%
Six months ended August 31, 2014	22,843	18.6	2,307	363.1	2,503	200.3	2,115	831.4
Six months ended August 31, 2013	19,254	(1.7)	498	(58.2)	833	(34.8)	227	(88.3)

(Note) Comprehensive income

FY2015 Second Quarter ¥1,316 million(59.3%) FY2014 Second Quarter ¥3,235 million(56.4 %)

	Net Income Per Share	Diluted Net Income Per Share
	(¥)	(¥)
Six months ended August 31, 2014	50.20	50.09
Six months ended August 31, 2013	5.40	5.39

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	(¥ million)	(¥ million)	%
As of August 31, 2014	61,274	46,239	74.1
As of February 28, 2014	59,302	45,697	75.5

Reference: Shareholders' Equity

As of August 31, 2014 ¥45,433 million As of February 28, 2014 ¥44,772 million

2. Dividends

	Dividends Per Share				
	1Q end	2Q end	3Q end	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
Year ended February 28, 2014	—	17.00	—	17.00	34.00
Year ended February 28, 2015	—	19.00			
Year ended February 28, 2015 (projected)			—	19.00	38.00

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

3. Consolidated Outlook for the Fiscal Year Ending February 28, 2015 (From March 1, 2014 to February 28, 2015)

(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)	%	(¥)
Full Year	48,600	11.8	5,200	99.5	5,500	70.8	4,400	284.9	104.40

(Note) Changes to the latest consolidated results forecast announced: Yes

*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: — (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: None

(ii) Changes other than those in (i) above: None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

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

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

As of August 31, 2014	47,033,234 shares	As of February 28, 2014	47,033,234 shares
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(ii) Number of treasury stock at period-end

As of August 31, 2014	4,874,984 shares	As of February 28, 2014	4,934,661 shares
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(iii) Average number of outstanding shares (during the six months ended August 31)

As of August 31, 2014	42,136,223 shares	As of August 31, 2013	42,075,293 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 3.

1. Qualitative Financial Information

(1) Qualitative Information Related to Consolidated Operating Results

During the first two quarters of the fiscal year ending February 28, 2015, the U.S. economy continued to see a broad-based economic recovery, although temporarily impacted by the cold weather at the beginning of the year. Europe showed a trend toward gradual economic recovery, albeit with an uncertain outlook due to geopolitical factors. In Asia, the pace of growth slowed, with China showing signs of a slowdown while in Southeast Asia there was political uncertainty in Thailand. In Japan, the overall economy continued on a basic recovery trend, despite the impact of the surge in demand that occurred ahead of the consumption tax rise and the subsequent fall back.

In the major markets in which the Star Micronics Group operates, levels of demand in the machine tools markets in Japan and overseas rose year on year. In the Special Products Segment, the POS-related markets experienced strong demand in North America and Japan, and also showed a recovery trend in Europe. In the markets related to precision products, there was strong demand in the wristwatch-related sector for both completed products and movements, and demand also increased mainly for the automotive-related sector.

The exchange rate during the first two quarters of fiscal 2015 reflected a depreciation of the yen against both the U.S. dollar and the euro compared with the same period of the previous fiscal year.

Amid this environment, the Star Micronics Group increased sales in all businesses, primarily in machine tools. As a result of this, and with the impact of the weaker yen, Star Micronics reported consolidated net sales of ¥22,843 million, up 18.6% year on year, for the first two quarters of fiscal 2015. Profits increased substantially, with operating income at ¥2,307 million, up 363.1% from the same period of fiscal 2014, and ordinary income at ¥2,503 million, up 200.3% year on year. Net income increased 831.4% year on year to ¥2,115 million.

Performance by segment was as follows:

(Special Products)

In POS printers, sales increased significantly in all regions. In the U.S. and Japanese markets, sales centered on applications for payment systems using smartphones and tablets (mobile POS system) were strong. Sales also grew in the European market alongside the economic recovery. In the Asian market, sales of dot-matrix printers increased in China.

As a result, sales and profits increased substantially with segment sales up 32.0% year on year to ¥5,598 million and operating income up 279.8% to ¥946 million.

(Machine Tools)

In CNC automatic lathes, sales in the European market, increased sharply, reflecting solid sales amid a continuing recovery in orders from summer last year, mainly in the automotive-related sector. However, sales in the U.S. market declined year on year, primarily due to sluggish sales in the mainstay medical equipment-related sector. Sales increased substantially in the Asian market, with strong sales in the automobile-, communications-, and medical equipment-related sectors in East Asia, despite weak sales in the automotive-related sector in Southeast Asia. Sales increased significantly in the Japanese market, reflecting strong sales primarily in the automotive-related sector.

As a result, sales and profits increased substantially with segment sales up 26.8% year on year to ¥14,923 million and operating income up 66.6% to ¥2,174 million.

Star Micronics' new factory in Thailand began assembly and production operations in April 2013. With installation of a full range of parts machining equipment completed in June 2014, Star Micronics has put in place at the Thai factory an integrated production system ranging from parts machining to final assembly.

(Precision Products)

Sales of wristwatch components increased markedly due to strong sales to wristwatch makers. In non-wristwatch components, overseas sales were brisk for components for hard disk drives (HDDs), air conditioning-related components, and medical equipment-related components, with sales centered on automotive-related components. Consequently, overall sales in non-wristwatch components increased year on year.

As a result, sales and profits increased substantially, with segment sales up 28.3% year on year to ¥2,320 million, and operating income of ¥334 million, an increase of 997.9% from the same period of fiscal 2014.

(2) Explanation Concerning Consolidated Financial Position

Total assets at the end of the second quarter amounted to ¥61,274 million, up ¥1,972 million from February 28, 2014. This change was primarily due to increases in inventories and other current assets, despite a decrease in cash and deposit. Total liabilities amounted to ¥15,035 million, an increase of ¥1,430 million from the end of the previous fiscal year, primarily due to an increase in trade notes and accounts payable. Total net assets stood at ¥46,239 million, up ¥541 million from February 28, 2014. This change was mainly due to an increase in retained earnings, which outweighed a decrease in foreign currency translation adjustments.

(3) Qualitative Information Concerning the Consolidated Earnings Projections

In light of business performance in the first two quarters of the fiscal year ending February 28, 2015, the Star Micronics Group has revised its earnings projections announced on April 10, 2014. For details, please see the separate press release titled “Differences between Consolidated Forecasts and Actual Results for the 1st Half of FY2015 and Revisions of Consolidated Forecasts for FY2015” ,which was issued separately today (September 30, 2014).

These projections assume a foreign exchange rate of ¥100 to US\$1, and ¥135 to 1 euro for the third and fourth quarters of the year ending February 28, 2015.